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October 1964

U.S. Department of Agriculture

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Farmer Cooperative Service August 1965

#### FOREWORD

This publication records the major talks and events of the first USDA Cooperative Observance held in recognition of October 1964 as Cooperative Month. USDA joined in this recognition with 12 States whose Governors proclaimed October as Cooperative Month.

Secretary Freeman in his opening remarks pointed to the mutual interest of cooperatives, the Department of Agriculture, and the Farm Credit Administration in helping rural people help themselves. He stressed that this close working relationship is of long standing, going back to the beginning of the Department.

Theme of the exhibit was: Cooperatives--USDA Help Build a Better America. The Observance centered around showing how this teamwork brought improved income for farmers, a healthier rural economy, better quality products for consumers and farmers, greater international understanding, and a strengthened democracy.

The Department particularly appreciated the support and participation of the Cooperative Advisory Committee in this Observance. Members of this committee are: J. K. Stern, President, American Institute of Cooperation; Jerry Voorhis, President and Executive Director, The Cooperative League of the USA; Kenneth D. Naden, Executive Vice President, National Council of Farmer Cooperatives; Roy F. Hendrickson, Executive Secretary, National Federation of Grain Cooperatives; E. M. Norton, Secretary, National Milk Producers Federation; and Clyde Ellis, General Manager, National Rural Electric Cooperative Association.

Sixteen USDA agencies and the Farm Credit Administration actively participated in the many events during the month. These included:

- . 24 exhibits in the Patio that drew over 7,000 people included those of participating agencies, a central theme exhibit, and those reproducing the 12 Governors' Proclamations and Milestones in USDA work with cooperatives.
- . Major talks by Secretary Freeman and David E. Bell, Administrator, Agency for International Development.
- . 6 working seminars that included talks by Assistant Secretary George Mehren; R. B. Tootell, Governor, Farm Credit Administration; Wilmer Smith, farmer-member of several cooperatives and President, Plains Cooperative Oil Mill, Lubbock, Tex.; and numerous other cooperative leaders and government representatives working with cooperatives.
- . Presentation of movies produced by USDA, Farm Credit Administration, and by 31 cooperatives.

- . Issuance of press and feature material; special articles in USDA magazines; USDA radio and television programs that received wide use over the country; special publications such as FCS Information 46, Helping Rural People Help Themselves -- Through Cooperatives; and preparation by the USDA Library of Reading Lists on Cooperatives on each seminar subject.
- . Agency Day for each participating agency at the Exhibit with special activities.
- . Presentation of the President's E Award for achievements in expanding exports to Herbert E. Byers, General Manager, Norbest Turkey Growers Association, Salt Lake City.
- . Recognition of 4 outstanding leaders in cooperative development -Lyman S. Hulbert, cooperative attorney; Joseph G. Knapp, Administrator,
  Farmer Cooperative Service; E. G. Nourse, well known economist and first
  chairman of the President's Council of Economic Advisors; and Henry C. Taylor,
  retired USDA official.

One panelist expressed well the purpose of the Observance when he said, "The Observance is an excellent springboard to achieving public recognition of accomplishments and the potential value of cooperatives as an instrument in national agricultural policy."

John A. Baker,
Assistant Secretary

### OFFICIAL OPENING

Comments by Orville L. Freeman, Secretary of Agriculture

It is a privilege and a pleasure to welcome all of you to the opening of this exhibit.

I think the first order of business should be to present the distinguished persons here on the platform -- even though to most of you they need no introduction.

Let me begin with USDA officials, all staunch defenders of cooperatives.

Charles S. Murphy, Under Secretary

John A. Baker, Assistant Secretary for Rural Development and Conserva-

George L. Mehren, Assistant Secretary for Marketing and Consumer Services.

Now it is my pleasure to present the members of the National Cooperative Advisory Committee:

J. K. Stern, President, American Institute of Cooperation Kenneth D. Naden, Executive Vice President, National Council of Farmer Cooperatives

Roy F. Hendrickson, Executive Secretary, National Federation of Grain Cooperatives

Pat Healy, Assistant Secretary, National Milk Producers Federation Clyde T. Ellis, General Manager, National Rural Electric Cooperative Association

Dwight Townsend, Director, Washington Office, The Cooperative League of the USA

We are honored also by the presence in the audience of members of Congress, the National Agricultural Advisory Commission, the Farm Credit Board, members of the Finance and Credit Policy Committee of the National Council of Farmer Cooperatives, the Executive Committee of the National Rural Electric Cooperative Association, and representatives of many departments of the Federal Government and agencies of the USDA.

The general title of this exhibit explains its purpose. "COOPERATIVES--USDA HELP BUILD A BETTER AMERICA."

Here in the central exhibit you see emphasized five major contributions which cooperatives and USDA, working together, make in building a better America. These five contributions -- or building blocks -- are:

1. Improved income for farmers -- cooperatives make it possible for many family farmers to stay in business.

- 2. A healthier rural economy -- cooperatives are in the forefront of the nationwide drive to revitalize rural America.
- 3. Better quality -- cooperatives provide incentives for producing top quality products.
- 4. The development of greater international understanding -- cooperatives provide a common bond among the people of countries throughout the world.
- 5. The strengthening of democracy -- the basic principle of cooperatives is democratic control by the members.

As you go around the patio you will see exhibits from 16 USDA agencies and the Farm Credit Administration depicting some of the ways in which cooperatives and these agencies complement one another. They call attention to the mutual interest that cooperatives, the Department of Agriculture, and the Farm Credit Administration have in helping farm and rural people help themselves.

This close working relationship is of long standing. It goes back over a century, to the beginning of this Department. It continues today stronger than ever.

Among the exhibits you will also see 15 milestones of cooperative progress and the official proclamations by the Governors of 12 States designating October as Cooperative Month.

Beginning this morning and continuing for 18 days, Cooperative Month will be observed by the Department not only through this exhibit but through workshops, agency days, an international day, news and magazine articles, motion pictures, and in other ways.

This is the first time that the Department has actively participated in the observance of October as Cooperative Month. I am delighted that this is being done and  $\mathbf T$  want to take this opportunity to commend all those who have worked so long and hard to make this observance possible.

These activities have a twofold purpose. On the one hand, we hope to focus the attention of the American people on the many services rendered this Nation by rural cooperatives and our agencies. On the other hand, we seek to remind cooperatives and our agencies that their services to America must be constantly improved.

You may have noticed this hefty rope here on the platform. Actually, there are two ropes joined together by a symbolic Knot of Cooperation expressing the strong ties that bind the Department of Agriculture and cooperatives in their mutual task of building a better America. I am going to ask representatives of the Cooperative Advisory Committee to take up one end of the rope.

 $\mbox{Now I}$  ask Undersecretary Murphy and Assistant Secretaries John Baker and George Mehren  $\,$  to join me on this end.

Will the members of the Cooperative Advisory Committee take their places on the other side of the knot?

Let all of us together pull this Knot even tighter.

May the Knot of Cooperation never be loosened.

May it bind us together ever more closely in service to America.

May it play an increasingly effective role in bringing about improved income for farmers, a healthier world economy, better quality products, greater international understanding, and a strengthening of democracy.

May it help us do our full part in building a Great Society.

Now if you here in the patio will join me, let us take a closer look at the exhibits.

I now declare this exhibit and the observance of Cooperative Month open.



Shown pulling the knot of cooperation tighter are: George L. Mehren, Assistant Secretary of Agriculture; Charles S. Murphy, Undersecretary of Agriculture; Douglas Dillion, Secretary of Treasury; Orville L. Freeman, Secretary of Agriculture; Clyde T. Ellis, General Manager, National Rural Electric Cooperative Association; J. K. Stern, President, American Institute of Cooperation; Graham Purcell, Jr., Congressman from Texas; Kenneth Naden, Executive Vice President, National Council of Farmer Cooperatives; Dwight Townsend, Director, Washington Office, The Cooperative League of the USA; and Patrick Healy, Assistant Secretary, National Milk Producers Federation. Not shown, but also helping in this rope ceremony were John A. Baker, Assistant Secretary of Agriculture and Roy F. Hendrickson, Executive Secretary, National Federation of Grain Cooperatives.

#### KEYNOTE ADDRESS

Comments by John A. Baker, Assistant Secretary of Agriculture

Welcome to your Department of Agriculture and this symbolic Jefferson Auditorium.

This is the second day of our observance of Cooperative Month. Yesterday Secretary Freeman opened the Cooperative Exhibit in the Patio of the Administration Building.

Today we meet to give recognition to the contribution of cooperatives to the economic, social and spiritual growth of America -- and to take note of the close working relationship that exists between the nation's cooperatives and the agencies of the USDA and the Farm Credit Administration.

Since the beginning of the Department, the USDA has worked with cooperatives -- because cooperatives are a major tool for improving farm and rural living.

Cooperatives in turn help the USDA carry out many of its programs whether these involve research and education; the handling, processing, transportation, and distribution of farm products; or more rapid economic development of rural areas.

As President Johnson has said, "Cooperatives in the United States have long helped build a better agriculture and a better America ... Resourceful and efficient, these cooperatives have earned their place as a contributing segment in the Great Society."

Now it is my pleasure to present to you my good friend, the distinguished Governor of the Farm Credit Administration -- which has joined with USDA in sponsoring this Cooperative Month observation.

Governor Tootell was born in Montana and reared on a farm in that State. He has been a teacher and an economist, a Director of Extension Services of two States. Since April 1954 he has been Governor of the Farm Credit Administration, and in that capacity he has rendered outstanding service. It is my pleasure to present to you Governor Robert B. Tootell who will introduce the members of the Federal Farm Credit Board.

(Governor Tootell then introduced the Board. See page 97 for names of members of the Board.)

And now it is my privilege to present to you a man who has proved a solid and understanding proponent of cooperatives to strengthen America.

When he took his present office, Secretary Freeman courageously accepted the challenge of rapid change and the stresses and strains it produces in rural America. He believed that change could be turned to the benefit rather than the detriment of rural Americans.

From his experience as Governor of the great cooperative State of Minnesota, he knew the value of cooperatives.

Shortly after taking office he directed all employees and agencies of the Department to work closely with cooperatives to actively encourage them to revitalize rural America.

The Cooperative Advisory Committee was re-established. It began meeting as often as once a week with Department people to discuss frankly how to build a better program of action for cooperative operations and the rural areas they serve.

In April 1963, some 500 cooperative leaders from 46 states and Puerto Rico came to Washington for the Cooperatives and the Future Conference.

From this conference came further steps to weld greater unity among cooperatives and to forge a more effective partnership between USDA and these associations.

Later, Secretary Freeman went before a House Subcommittee to urge Congress to strengthen the legal power of cooperatives to compete more effectively with the growing centers of power within the marketing structure of agriculture.

As most of you know, he issued a Departmental policy statement re-emphasizing the century-long policy of USDA to carry out our legislative mandate to strengthen and encourage use of cooperatives to strengthen rural America.

He directed each USDA agency to give proper recognition and full support to the concepts and responsibilities cited in the policy statement. He urged farmers and cooperative leaders to determine whether new types of selling and bargaining cooperatives were needed to meet the needs of the emerging Age of Abundance.

Now we have the fine exhibit in the patio and other features associated with our observance of Cooperative Month.

Ladies and gentlemen, the Secretary of Agriculture, Orville L. Freeman.

The Great Society's Challenge to Agriculture

By Orville L. Freeman Secretary of Agriculture

It is a great pleasure to meet with so many mutual friends of the cooperative movement -- in Cooperative Month -- when the governors of 12 States are honoring cooperatives through official proclamations.

To me our farmer cooperatives represent one of the great instruments of our democratic free enterprise system. They are an essential part of the business community. They stimulate the economy. They promote general prosperity. But, above all, they serve, protect and give "market muscle" to the individual.

They recognize the individual -- because the votes (one vote for each member regardless of the number of shares) and needs of the individual members direct cooperative activities. They speak for the individual-because they bargain in the best interests of member-owners.

I believe these cooperative principles are sound, and I am proud to have had the opportunity both as Governor of Minnesota and Secretary of Agriculture to support and encourage the cooperative movement.

Permit me to talk with you today about a challenge and an opportunity to which the cooperative movement has much to contribute in this changing world of New Frontiers.

Almost without our knowing it we have entered a new age, an Age of Abundance -- an age which makes possible for the first time in history the development of the Great Society envisioned by President Johnson.

The task of our generation is to build a <u>better</u> America -- an America which President Johnson has eloquently described as "a place where the meaning of man's life matches the marvels of man's labor.

- "...where every man can find reward in work and satisfaction in the use of his talents.
- "...where every man can seek knowledge, and touch beauty, and rejoice in the closeness of family and community."

The Great Society is particularly challenging to cooperatives because cooperatives have always been guided by an amazingly similar concept. Cooperatives are composed of people who work together -- who share labor and resources -- who are not predominantly self-seeking -- who are primarily interested in the general welfare -- who have a community viewpoint.

People such as these made America great. Whenever the nation seemed in danger of bogging down, they got America moving again. People such as these must -- and will -- take the lead in thousands of communities throughout the land in building a better America. They are the leaven of the Great Society.

As we look about us, we see that much progress toward the goal has already been made. We see it in an economy which is enjoying the longest and biggest peacetime expansion in our history.

Since early 1961 industrial production has increased by more than one-fourth. Nearly 5 million more persons are employed. Unemployment has fallen to the lowest level in 7 years.

We see it in the fact that since early 1961 personal income after taxes has risen more than 20 percent.

The annual income of the average American family -- after taxes -- is up more than \$1200 -- it's up \$500 in the past year alone.

Farm income has also improved. Over the past three years gross farm income is \$8.5 billion higher than if 1960 levels had continued. Net farm income is over \$2.5 billion higher. And the net income per farm has gone up \$543 between 1960 and 1963, or 18 percent. Higher farm income has created 200,000 more jobs in factories and stores today. This represents solid progress, but much more is needed. Our goal is full parity of income for the farmer and full parity of opportunity for all who live in rural America.

But though the promise before us is bright, at this moment of history one fact stands out in stark relief: the progress we have made only begins to meet the real needs of the American people.

We still face the challenge of putting the capacities of the Age of Abundance properly and fully to work.

We have learned how to produce abundance -- but not fully how to use it.

We have the food to wipe out hunger -- but millions are malnourished.

We can provide the research and skill to eliminate most diseases -- but we are falling short of the goal.

We have the capacity to educate not some of our youth but all-- but we are not yet doing it.

We have the means to furnish ample medical and hospital care for young and old alike -- but many of our aged are denied it.

We should be able to provide opportunities for gainful employment -- but three and a half million of our people cannot find jobs.

We can wipe out poverty -- but nearly one-fifth of our families still have incomes of less than \$3,000 a year.

We can insure that the countryside becomes not only the source of our food abundance, but also a source of leisure time activities through creative conservation of land and water.

Many of these deficiencies are especially prevalent in rural America.

Rural people should not be denied parity of opportunity with city people just because they happen to live in the country -- but they are.

We look to you to help insure that the child of tomorrow born in rural America will have the same opportunity as the child born in the city -- and that all, in city and country alike, will have the opportunity to enjoy fully the advantages of the Great Society.

This is no small challenge. It is the biggest and most demanding we have ever been asked to undertake.

We have no choice but to accept it.

The past is a record of achievement by the American cooperative movement -- and it is an indication of the strength that can provide a doubled and redoubled effort in the future.

You have proved that you can effectively increase farm income. The direct saving achieved by cooperative marketing of over \$10 billion worth of farm products annually -- and by cooperative purchasing of major supplies -- adds close to half a billion dollars a year to farmer's income. The indirect saving is larger still.

You have shown that you can help farmers produce better quality products. Brand names like Sunkist, Rockingham, Land O'Lakes and Dairylea stand for quality wherever they are seen.

You have demonstrated that you can help build a stronger rural economy. Rural electric cooperatives, for example, have made it possible for millions of rural families to live as conveniently as city families.

You have helped build and hold foreign markets for our farm products. And you have promoted international understanding by helping people in other lands start and build up cooperative enterprises.

You have strengthened democracy in every corner of America -- because cooperatives are economic democracy in action. They are a bastion where individual initiative of economically independent people can operate in an atmosphere of community responsibility.

The promise for the future implicit in what you have already done is proof positive that your contributions to farmers, to rural communities, and to America have never been more urgently needed than now.

But if cooperatives are to fulfill their function in meeting the challenge of the Great Society, it seems obvious that they must give increased attention to several basic needs which will make them stronger and more viable.

First, the need for expansion. Cooperatives are still mostly "small business." One-fourth of them do less than \$200,000 business a year; half do less than \$500,000; and about three out of four do less than \$1 million annually.

Cooperatives are not able to dominate markets. Nor do they seek to do so. But many cooperatives today find that transportation improvements, the steadily shrinking farm population, and the increasing size of other competing businesses make expansion necessary. They need to be bigger to compete. They need to be big enough to keep markets free and open.

Second, the need for better management. To be just good is not good enough. You must be the best run business in your community. In business management you must be ahead and stay ahead of everyone else. This means being constantly alert for innovations and new research discoveries. It means being quick to adapt such improvements to your operation.

Third, the need for increased cooperation among yourselves --especially in the areas of joint sales agencies, joint promotional and advertising campaigns, and coordinated marketing programs.

Fourth, the need for added services to save members time, labor and money. This may mean increased agricultural integration or it may mean taking on more of the farmer's marketing and purchasing chores -- such as direct pick-up at the farm of eggs, milk, poultry for processing -- or services similar to the on-farm-tire-and-repair activity now provided by some cooperatives.

Fifth, the need for vigorous leadership to broaden the perspective of cooperatives, especially in community development projects. The time is ripe for imaginative endeavor. Groups of farmers, seeking extra income, can form recreation cooperatives to develop farm based recreation facilities for family vacations and for hunting, camping, fishing, hiking and horseback riding. USDA loans are made for these activities, not only to provide additional income opportunities but also to provide new opportunities for leisure for an increasingly urban people.

Look at the Custer County Gameland Project, for example. Twelve participating families in Custer County, Nebraska, launched this project in 1961. In 1962 sponsorship was taken over by the county RAD committee. Some 200,000 acres of private land in Custer County were opened for hunting on a fee basis. About 75 families now offer room and board to out-of-state hunters. The result is \$300,000 additional income for county residents each year.

I am impressed with what some rural electric cooperatives are doing in promoting recreation.

In Pennsylvania, the Valley Rural Electric Cooperative, at Huntingdon, obtained an REA Section 5 loan for \$100,000 last year to finance electrical equipment for a new ski resort. During the first season last winter, skiers came from all over the East. When the resort first opened, it created new jobs for 100 persons. Nearby motels and other service industries reported much new business.

In Hawkins County, Tennessee, the electric cooperative is lending a hand to local people in developing a large recreational facility called Poor Valley Park.

Near Carlinville, Illinois, the rural electric system helped develop a recreational facility for a local church group.

This illustrates a trend that shows promise of getting bigger every year.

Cooperatives for grazing, feeding or marketing livestock can be developed with loan funds from the Department to enable groups of farmers to produce uniform quality cattle or hogs.

Farmers and townspeople can get together in non-profit industrial development groups to convert low income cropland into industrial sites. With financing by government loans, they can modernize community water and sewage services to encourage new industry.

In the past three and one-half years the Farmers Home Administration has loaned or insured loans for more than \$70 million to various cooperative-type groups. More than 350,000 rural people now benefit from services provided by these groups.

The result has been a vast array of beneficial projects -- from rural water and irrigation systems to rental housing units for senior citizens and farm laborers, from recreational enterprises that benefit the whole community to grazing associations that give small ranchers a chance to make a better living and compete with the big fellows.

All over America cooperatives are helping local people generate new life and new opportunity in their communities. Over 100,000 people are actively participating in more than 16,000 community development projects. Co-ops are in the vanguard of many of these projects.

Such accomplishments richly deserve applause. But we urge all of you to see if there is <u>more</u> you can do -- whether it is giving personal time and effort to RAD projects in your area, or expanding the services of your cooperative or forming new cooperatives to run new recreation or business ventures.

We in USDA want to help you make your contribution as effective as possible. We accept fully our responsibility to encourage the growth of cooperatives and to provide research, educational and advisory services that will help strengthen cooperatives in all appropriate activities.

I am extremely gratified at this time to announce a new program just authorized by the Congress that will be of direct financial benefit to farmer cooperatives.

This program is authorized by the new Economic Opportunity Act -- which might be termed the "War on Poverty" Act.

Section 303 of Title III provides for direct loans to rural cooperatives made up predominantly of low-income families. These loans can be used to finance a wide variety of services not now available to such families. They include:

Marketing of farm produce.

Purchasing needed farm supplies.

Processing agricultural products.

Collection, transport and marketing of such "cottage industry" items as handicrafts.

Rough sawing timber and transporting it to a collection point.

Cooperative ownership of farm machinery for customer work on members' farms.

All of these, and many more, are cooperative ventures that might be financed with the new loans.

The only major restrictions are:

- (1) That they serve rural families, two-thirds of whom are genuinely low-income people.
- (2) That they don't duplicate a service already available conveniently and reasonably.
  - (3) That the cooperative cannot obtain credit from any other source.

Under present plans, the Department of Agriculture will be assigned this new loan program.

It has many, many excellent possibilities.

It can help disadvantaged families get some of the services they've always needed to live better.

It can strengthen the cooperative movement.

Of great importance, this new program of loans to small cooperatives will provide the Department with some excellent experiences in how, where and when we can help finance cooperatives that have no other source of credit.

Thus, you can see that your government and this Department are not standing on the sidelines. We are right beside you in this effort to see to it that rural America is reborn as a land of opportunity.

I urge you to explore these new possibilities.

It is our hope that this Cooperative Month -- and this observance and the Exhibit in the patio -- will fire the imagination of a great many people about the potential impact of cooperatives in this New Age of Abundance.

The Great Society does issue a challenge to cooperatives.

It dares you to be imaginative.

It tests your courage.

It challenges you to lead the people of your communities -- to hold up before their eyes the beacon of hope that says --

We can wipe out hunger and eliminate disease.

We can educate every young American.

We can clean up slums.

We can revitalize sick communities.

We <u>can</u> rescue our countryside from misuse and clean our rivers and streams from pollution.

We <u>can</u> develop new parks and playgrounds and preserve the green areas and open spaces which recreate the spirit.

We can build the Great Society -- and we will.

Standing fifth from right is Secretary Freeman. This photograph, taken just before he presented the keynote address for USDA's Cooperative Observance, shows other officials of USDA and Government and members of the Cooperative Advisory Committee who shared the platform.



#### INTERNATIONAL DAY

Introduction of David E. Bell by Undersecretary of Agriculture Charles E. Murphy

The contribution of cooperatives in the United States is well known. Their multitude of services has been acknowledged over the past few days.

These contributions, however, extend far beyond the boundaries of our country. For cooperatives are proving one of the most dramatic lessons in democracy.

Here in the United States Department of Agriculture we have recently established the International Agricultural Development Service to work closely with the Agency for International Development.

I therefore welcome the opportunity of introducing our speaker today. David E. Bell, Administrator, of AID. Mr. Bell has himself worked abroad and thus knows the environments in which the United States programs operate. He headed a group of advisers to the Planning Board of the Government of Pakistan for three years to help map the economic development of that country. Financed by the Ford Foundation, this group had been recruited from Harvard, where Mr. Bell returned after this study.

Mr. Bell took office as Director of the Bureau of the Budget in January 1963, and served there until he became Administrator of AID.

It gives me great pleasure to present Mr. Bell to you to tell how cooperatives have an important role in his Agency's work in less developed countries.

> How Cooperatives Help Develop International Understanding

By David E. Bell, Administrator
Agency for International Development

I am extremely pleased to be able to participate in this event honoring American cooperatives, an event organized by the Department of Agriculture and concerned with international aspects of the cooperative movement.

The Department of Agriculture, Agency for International Development, and, I might add, some of the other organizations represented here such as the Peace Corps and the Inter-American Development Bank, have been improving our capacity and effectiveness in working together.

This morning we are discussing an area in which our joint efforts are working most successfully. This is the area of helping to establish cooperatives overseas in the less developed countries. Therefore it's a very welcome opportunity for me to be here to say a few words about how we are working together in a partnership among the Foreign Assistance agencies, the Department of Agriculture, and the American cooperative movement; why that partnership is important, what it's doing today, and where we think it may go in the future.

# PURPOSE OF U.S. FOREIGN ASSISTANCE

I'd like to start by recalling the fundamental objective of United States foreign assistance in the world today. More and more, we are directing all of our resources to assisting the less developed countries to get on their feet, to increase their own competence, to handle their own problems.

The United States Government is not operating a welfare or relief program; it is operating a teaching and building program. We are trying to help people in less developed countries to increase their competence, to create institutions, and to enlarge their abilities so they can solve their own problems. We want to help them as long as that may be necessary, but we also want to reach the time when they can go ahead by themselves.

The model we have in mind is, of course, the experience in Western Europe at the end of World War II, when assistance from the United States was highly effective in a relatively brief period of time. The Europeans restored their economies and were able to move ahead without further U. S assistance within a period of 3 or 4 years.

We're not working in Europe today. We're working in Asia and Africa and Latin America. The conditions are much more difficult. We are dealing with societies in which basic knowledge is absent, school systems are lacking, economic institutions of all kinds are rudimentary or missing. It's going to take us a good deal longer than the period of time it took us in Europe.

But the objective is the same. We are trying to help those countries create the competence in themselves which will enable them to meet their own problems in the future. And the secret of doing this is a complex, many-sided, continuous effort which rests fundamentally on what the people of those countries are willing and able to do for themselves. They must learn, they must create, they must build. We can help them, we can provide capital, we can provide technical assistance. But they must take the fundamental responsibility and put the bulk of the energy and resources into the job.

What we are trying to do in the less developed countries can be illustrated, I think, most effectively by the situation in Taiwan. Taiwan is a success story. For the last 15 years we have provided a great deal of external assistance to Taiwan, and the Taiwanese themselves during that period of time have created the institutions and the competence to greatly step up their agricultural productivity, to build and enlarge a very lively industrial sector, to establish educational institutions, and to improve their

governmental machinery. Today, the economy of Taiwan is moving forward very rapidly and our economic assistance is rapidly coming to an end.

The Taiwanese do not have, today, a very high standard of living by statistical measures. The per capita income in Taiwan is still only \$150 a year compared to more than \$2,500 per capita a year in the United States. The point is that the Taiwanese are now in a position where they can steadily and rapidly increase that standard of living by their own efforts without further significant help from outside. What has happened in Taiwan is what we would like to see happen everywhere around the world.

#### HOW THE COOPERATIVE IDEA APPLIES

I stress this basic set of ideas because you can see how the cooperative concept fits them. Co-ops by their nature represent people banding together and organizing themselves better to meet a problem, to achieve an objective. A successful co-op consists of people who have done what they could for themselves, have obtained resources from elsewhere insofar as that may have been necessary, and who are achieving some objective together. Co-ops are organized and run by local people. They are an instrumentality of self-help. And in this way they represent, on a small scale, what we are trying to achieve all through the lesser developed countries.

There's another advantage of the cooperative in some circumstances. Sometimes there are elements of tradition or cultural background in a particular country into which the cooperative method fits. This is true, for example, among the Andean Indians in Latin America. They have had for centuries what they call the "minga" system, which is a tradition of community joint action to accomplish community objectives. Someone who returned from one of the Latin American countries just the other day told me that in the last few months, operating through the minga system, one group of Indians had built 300 kilometers of highway -- not elaborate highway, not parkway, but good solid, satisfactory road which connected them with areas they wanted to be in communication with.

So the co-op method, the co-op idea, occasionally fits exceptionally well into the special cultural background of countries where we are working. But even if it does not have some deep traditional wellspring of familiarity the fundamental concept of the co-op is exactly right for the purposes we are trying to achieve. In consequence, we regard co-ops as extraordinarily valuable kinds of institutions. We are using them is such fields as credit, electrification, housing, agricultural marketing, agricultural production, and many others.

It would be a mistake, however, to think of the development of cooperatives abroad simply as a means of achieving economic objectives. The most important changes that have to be brought about in less developed countries are essentially political changes. The people of those countries must learn how to govern themselves better, how to establish and maintain a sounder public policy.

Co-ops are by their essential nature thoroughly democratic institutions, and the people who organize and run co-ops in less developed countries are thereby learning to operate democratic institutions.

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When they administer cooperative funds and decide what each member shall contribute, they are in a rudimentary sense operating a tax system. When they weigh the benefits and costs of a proposed investment or action, they are learning how to budget their resources responsibly -- what represents unwise and overextended use of the limited resources they have, what represents the best use of their resources.

And when they choose co-op boards of directors and officers, they are learning the most important responsibility of members of democratic societies -- the selection of their leaders.

Therefore, cooperatives are a good deal more than simply economic institutions; they are excellent training grounds for democratic experience.

Beyond this, there's another significant aspect of the attempt to build co-ops in less developed countries. They are a method of creating initiative on a private and local scale. As many of you know, it is far too commonplace in less developed countries to think that development can be managed by the central government; that everything can be laid down in a master blueprint; that everybody should be controlled so that he operates according to that blueprint; that this is the way to bring about rapid, effective economic and social progress.

Those of us who have worked for some years in less developed countries are convinced from experience of the error of those conceptions. We are convinced from experience of the merit of a contrary conception; namely, that the most effective means for achieving rapid economic and social progress is to encourage and develop a multiplicity of private and local sources of energy and initiative which are able to make decisions and able to take action.

In this way, the people through many institutions of a local and private nature can attack directly the problems that trouble them. There have to be, of course, central government policies. They are most significant; they have to set a framework of national policy within which private and local initiative can play its part. But clearly the countries which have done the best in achieving economic and social progress during the last 20 years are those countries in which the largest play was given to the private and local activities of their people -- Japan, Taiwan, Malaysia, Mexico -- even India and Pakistan which, contrary to some superficial impressions, have enormous opportunities for private activity.

Co-ops represent an excellent means for enlarging the number of individuals who can on their own initiative do something effective about their own problems. In this sense, the multiplication of cooperatives around the world represents a major contribution to the lively and dynamic societies that we are trying to help build. In all these ways, because they are private and local, they stimulate the kind of change we are seeking to help bring about in less developed countries.

These are the essential reasons why we have increasingly turned to the co-op method and why we are increasingly asking American cooperative institutions to help us. This is true not only of AID, it's true of the Peace Corps, it's true of the Inter-American Development Bank -- it's true of all the agencies that work in this general field of foreign assistance.

#### AID WORK WITH COOPERATIVE ORGANIZATIONS

I think it's impressive to realize the extent to which AID is now working with American cooperative organizations. For example, among the groups with which AID has contracts for technical assistance in cooperative development at the present time are the Credit Union National Association, the Cooperative League of the USA, the National League of Insured Savings Associations, the National Rural Electric Cooperative Association, the Foundation for International Cooperative Development, the National Farmers Union, and the American Institute for Free Labor Development.

During this past year we had in effect some 83 contracts involving cooperatives in one way or another on 278 projects in 48 different countries.

Some of the results are outstanding. In the last 3 years, for example, the credit union movement has caught hold very well in Latin America. There are now some 300,000 depositors, with \$12 million worth of savings, in over a thousand individual credit unions.

Savings and loan associations are also catching hold in Latin America. In six Latin American countries, 80 individual savings and loan associations have some 200,000 members and deposits of over \$75 million. These savings and loan associations have made 22,000 housing loans in the last 3 years.

The National Rural Electric Cooperative Association is conducting surveys for us in some 14 alliance countries. We have already reached the point of making four loans for rural electric cooperative activity, and many more will follow.

These are, I think, impressive statistics. They indicate the large reliance we are placing on cooperative activity. Behind these figures, of course, are thousands of individual stories which often make the point better than any recitation of statistics could. I'd like to cite one story as an example.

# RURAL ELECTRIC COOPERATIVE IN ECUADOR

This is a story of a rural electric cooperative in Ecuador which was started earlier this year. It was started as the result of the initiative of John Taylor, who is Manager of the Walton Electric Cooperative in Monroe, Ga. Under our contract with the National Rural Electric Cooperative Association, Mr. Taylor went down to Ecuador not quite a year ago and went to work in a town called Santo Domingo de los Colorados. This is a frontier-like town of about 7,000 people.

Mr. Taylor began telling people there what rural electric co-ops were like and what they could mean to that community. Shortly after he began his

work he was asked to make a radio broadcast to explain these ideas to the people of the area. He made the broadcast in English (his Spanish wasn't good enough to do otherwise) and an Ecuadorian followed with a translation.

Mr. Taylor was so effective, and the response was so overwhelming, that they immediately installed him as a regular weekly speaker on the radio in that area. Despite the language barrier, his program became one of the most popular that station had ever broadcast.

He was very effective in getting the co-op organized and started. It began operation in March of the present year, and the results have been remarkable. The co-op started with a couple of small diesel generators that were in the community, but had never operated more than 12 hours a day and with frequent breakdowns. The co-op took over these inadequate facilities, and obtained some further equipment from the United States. By September, the system was operating effectively 24 hours a day; it hasn't had a breakdown yet; it is collecting its bills and making money for its members.

We received a cable from our Mission in Ecuador last week, reporting on the progress of the Santo Domingo co-op. It starts out I think in a very appropriate manner, and refers to perhaps the most important statistic of all, the percentage of electric bills paid: Before cooperative, 60 percent; after cooperative, 97 percent. Volume of electricity sold: Before cooperative, 25,000 kilowatt hours per month on the average; after cooperative, 63,000 kilowatt hours per month. Number of customers: Before co-op, 374; after co-op, 549. Monthly revenues: Before, \$955; after, \$2,000.

The financial growth of the cooperative is running consistently 20 percent ahead of what Mr. Taylor originally anticipated.

And well beyond these statistics of service, our Mission in Quito comments, "Through the services of the rural electric co-op, Santo Domingo is rapidly assuming the look of a more modern town both socially and economically. Women are acquiring radios, electric stoves and refrigerators. Electric machines such as water pumps, grain mills, silage cutters, sawmills are replacing manually operated tools of yesterday, and around the town well-lighted playgrounds, community meeting rooms and recreational centers are new gathering places, particularly for youth.

"Thus, improved learning and health, as well as general community social environment and increased economic productivity, directly result from co-op efforts. Success of Santo Domingo rural electric co-op is reflected in the nearby town of Daule where people are showing similar interest and are currently organizing the second REA co-op in the country."

Now, this is not a remarkable story by American standards. But from the viewpoint of development we recognize it as an extraordinarily effective and rapid change of exactly the kind we need to bring about in countries like Ecuador if they are to solve their own problems. Therefore, we look on the co-op principle and the American co-op movement as extraordinarily valuable resources with which we want to do a great deal more than we have done.

#### PROBLEMS TO SOLVE

I don't want to close on an overly euphoric note. There are plenty of problems ahead of us. As this audience in particular knows very well, coops don't run themselves. They are institutions which require effective management, and management talents are always scarce. To develop effective co-ops, we have to pay constant attention to the problems of training, advice, and counsel.

Furthermore, as I indicated earlier, while co-ops in some areas are very natural institutions, in other areas they are not. A Latin American who stayed for some months in the United States last year said to one of our people on leaving that one of the things that impressed him most was the number and effectiveness of the co-ops here.

But he said, "I'm not sure we can do this in my country. Our neighbors are still suspicious of each other and will not trust anyone else with their money." His conclusion was, "The first thing, therefore, is to teach so the people understand. We must build a new mind which now knows nothing of cooperatives."

This is surely correct. The cooperative idea has to be explained, it has to be understood. People have to appreciate the opportunities for common action, and they must also understand the responsibilities of common action. This is not easy. In many parts of the world, the concept of repayment of credit is not widely accepted.

So that by my remarks today, I do not mean to imply that the development of cooperatives in the less developed countries is a simple or easy or extraordinarily fast-moving task. It will take hard work. It will require organic growth, as indeed it has in this country. There are no automatic recipes for progress anywhere in the world, and co-ops are only one means of achieving progress. But our own experience indicates that in many places, and for many problems, co-ops can make a major contribution to economic and social progress and to the strength of free societies.

And we intend to pursue the course we are now on, which is to try to make maximum use of the cooperative idea and the resources of the American cooperative movement.

Just before presenting this address, David E. Bell, on left, Administrator, Agency for International Development, Department of State, talked with Mrs. Dorothy Jacobson, Assistant Secretary of Agriculture for International Affairs, at one of the exhibits.



Presentation of E Award to Norbest Turkey Growers Association by Mrs. Dorothy Jacobson, Assistant Secretary of Agriculture

We are today working toward more of a trading partnership -- with Government and industry as the partners.

We are glad therefore today to present to the Norbest Turkey Growers Association, a cooperative of Salt Lake City, the Presidential "E" Award for the contribution it has made to the export expansion drive of the United States -- a drive being led by American agriculture.

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We in agriculture are extremely proud of our export record, a new alltime high of \$6.1 billion in the last fiscal year.

These records have been built by hard work, and much of this work has been done by cooperatives. The Department is now carrying out market development work in some 70 countries, working through more than 40 U.S. trade and agricultural organizations. These include in their membership a large number of farmer cooperatives such as the Norbest Turkey Growers Association.

Norbest is the world's largest seller of turkeys to wholesalers and retailers and has sold more than a billion pounds of turkeys since it was organized 24 years ago. It has long been an exporter to Canada and in recent years has developed a substantial business with several European countries, notably the Netherlands, West Germany, Switzerland, and Italy. It is now taking steps to increase its exports to the Far East.

In no small part the development of this export business is a credit to the personal efforts of Norbest's general manager, Herbert Beyers, who is with us today to receive this award for his organization.

In 1957, he and Robert Reed, then agricultural attache in The Hague, cooperated in a market promotion plan that opened the Dutch market to U. S. turkeys. Much of the European business has developed from that initial breakthrough. We are pleased that Mr. Reed, now retired from Government service, is here with us today to join in honoring Norbest and its manager.

Mr. Byers and Norbest can take great pride in the "E" Award which I present to you and your fine organization for outstanding accomplishments in exporting U. S. turkeys.

I am happy to present this award to you here today during International Day as part of our observance of Cooperative Month. Your organization stands

out as an excellent example of the great contribution cooperatives are making toward reaching new plateaus in agricultural exports. Your citation reads:

"Norbest Turkey Growers Association has made significant contributions to the export expansion drive of the United States by substantially increasing foreign sales of turkeys through an alert and effective export promotion program featuring high standards of excellence in product quality, packaging, and market service."

After she had presented the President's E Award for contributions to the export expansion drive of the United States to Herbert Byers, General Manager, Norbest Turkey Growers Association, Salt Lake City, Mrs. Dorothy Jacobson, Assistant Secretary of Agriculture, posed with Mr. Byers in front of the Foreign Agricultural Service exhibit.



Recognition of 4 Distinguished Cooperative Leaders

by Mrs. Dorothy Jacobson, Assistant Secretary of Agriculture.

We now want to pay tribute to four individuals whose leadership has meant so much to the sound development of cooperatives.

We are honored to have these men with us on the stage today. I would like for each of you to stand as I read a brief recital of the highlights of your many contributions to cooperatives.

LYMAN S. HULBERT. -- "Judge" Hulbert helped draft the Capper Volstead Act of 1922, now heralded as the Magna Charta for Cooperatives, and the Cooperative Marketing Act of 1926, the legislative charter under which USDA continues its work with cooperatives.

He wrote the first edition of a comprehensive publication on legal aspects of farmer cooperatives, a publication since revised many times and in great demand. In his years with the Government he dedicated himself to cooperative law. In recent years since leaving the Government he has handled only legal cooperative cases.

JOSEPH G. KNAPP. -- As Administrator, Farmer Cooperative Service, USDA, Mr. Knapp is well known for his writings on farmer cooperatives as well as for his substantial contributions to sound cooperative development in his official capacity.

He is the author of several books on cooperatives and has made two studies abroad recently, one for the Irish Government on their cooperatives and the other a study of English agricultural cooperatives made at the request of their national organization of cooperatives.

EDWIN G. NOURSE. -- First chairman of the President's Council of Economic Advisers and now a "Guest Scholar" at Brookings Institution, Dr. Nourse has made substantial contributions to cooperative thought and philosophy over the past four decades.

His writings on cooperatives, his expressions of sound cooperative principles, and his active interest in cooperative contributions to the general economy have had great impact.

HENRY C. TAYLOR. -- He made his pioneering contributions to cooperatives at the University of Wisconsin and as the first head of the Bureau of Agricultural Economics, the USDA office where much of the early cooperative research was done.

He personally directed many of the early research studies on cooperatives and throughout his professional career recognized the important role of cooperatives in improving the welfare of rural people.

Both Dr. Nourse and Dr. Taylor were charter members of the American Institute of Cooperation and helped organize this educational program.



These four men were recognized during the USDA Cooperative Observance for their distinguished contributions to cooperatives -- Henry C. Taylor, left, former head of the USDA office where much of the early research on cooperatives took place; Edwin G. Nourse, first chairman of the President's Council of Economic Advisors and long-time contributor to cooperative throught and philosophy; Lyman S. Hulbert, former USDA attorney who helped draft the Capper-Volstead Act; and Joseph G. Knapp, Administrator, Farmer Cooperative Service, and also writer of many books and articles on the subject of cooperatives.

SEMINAR I -- How Cooperatives Use Credit Resources

Chairman -- Martin A. Abrahamsen, Deputy Administrator, Farmer Cooperative Service

> Meeting the Credit Needs of Cooperatives Role of the Farm Credit System

by R. B. Tootell, Governor Farm Credit Administration

The credit needs of farmer cooperatives, I am convinced, are inextricably a part of the larger problem of farmers' total credit needs. I shall, therefore, devote some of my remarks to the broader subject of financing our industry of agriculture -- the largest industry by far in these United States.

Pressures of the "agricultural revolution" and pressures generated by the concentration of power in giant industries in the agri-business complex threaten the traditional family farm that has been the dominant pattern of our agriculture throughout most of the country.

None of us has any illusions about trying to perpetuate the small family farm of the past. The best we can hope for is to have predominantly, in most parts of the country, relatively large, efficient, commercial family farms. The alternative to this would seem to be the eventual transfer of ownership and decision-making by farm families to corporate giants, often constituting a highly integrated complex.

It is my belief that the two most important factors in keeping control of farming in the hands of farm families in the future are:

- 1. Adequate and constructive financing of the individual commercial family farm, and
- 2. Efficient farmer marketing, supply, and service cooperatives to give them bargaining power far greater than they may hope to exercise individually.

#### THE ROLE OF CREDIT IN MODERN AGRICULTURE

Our agricultural revolution, with which you people are all vitally associated, has involved to a great extent the substitution of capital for labor

and, even in part, for land.

Capital investment per farm and per worker on farms has increased about three times since 1950. Historically, a high percentage of capital accumulation in agriculture has been internal -- that is, represented by earnings and savings from the farm operation itself. A study made a few years ago indicated that between 1900 and 1950, 78 percent of capital accumulation in our agriculture was internal and only 22 percent came from the use of credit.

This situation has changed in recent years. A higher proportion of an increasing capital investment is coming from credit. This is primarily because capital accumulation from farm income is too slow in this rapidly changing farm economy. Technology is moving so fast that one must adjust quickly or perish. Also, a good deal of the credit used in recent years has financed the transfer of equities from those who quit farming to families who remain on the land. So long as 100,000 or more families give up farming each year, considerable credit will be used in financing this adjustment alone.

The use of credit by U. S. farmers will increase greatly in the years ahead. It could conceivably double in the next decade. It is of vital importance to farmer cooperatives that their individual members be adequately and constructively financed for efficient operation. Furthermore, it often lessens farmers' pressure on supply cooperatives for the cooperatives to extend credit. However, they may not be prepared to handle credit on a sound basis. Accounts receivable have caused the failure of many cooperatives. Lack of adequate production financing may drive the farmer member to contract with an independent competitor who offers point of sale credit as a sales gimmick.

At this point, we should recognize another type of competition for capital. This is the competition between the cooperative and the farm itself for the farmer's investment funds. If cooperatives are to expand so they may meet their larger responsibilities, they will require more equity capital investment by their farmer members. It is important that this off-farm investment be given due consideration and be in balance with the funds invested in the farm operation itself.

## THE ROLE OF FARMER COOPERATIVES

According to estimates of the Farmer Cooperative Service, farmer cooperatives do not account for an impressive share of the market. Farmers purchase only 15 to 20 percent of their farm supplies from their cooperatives. It is estimated that only 25 to 30 percent of their products marketed are even touched at some point by a cooperative marketing organization.

I hasten at this point to emphasize, however, that the influence of cooperatives extends far beyond the magnitude of these figures. The influence of cooperatives is both direct and indirect. Direct benefits are those readily apparent to members such as patronage refunds or quoted price advantages. The indirect benefits accrue even to farmers who do not use the

cooperative as well as to those who do. Ordinarily they are not even aware of its contributions to them.

The dilemma faced by cooperatives generally is that the nearer any one of them approaches its objective, the less apparent is its value. The narrower the margin between the cooperative price and that of its proprietary firm competitor, the less apparent is the success of the cooperative.

I assure you this is true also with credit cooperatives.

This problem points up the need for continuous education directed not only to prospective members but also to the present members of the cooperative. They need to be continually asked the question, "What would be the price if it were not for the presence of the cooperative?" Herein lies one of the great challenges to all our cooperatives.

Let us consider now the opportunity to increase farmer cooperative business in the years ahead. Certainly in view of the present share of the market occupied by cooperatives, there is plenty of potential room for increase even if total agricultural production were to remain at its present level.

But I remind you that our agriculture is a growth industry. Remember that by the end of another 10 years our volume of agricultural production to be marketed will have increased as much as 25 or 30 percent. It seems likely the farm supply business will go up by an even larger percentage because every year there is an increase in the purchased inputs used in agricultural production. This farmer supply business is big business.

Farmer cooperatives have still other opportunities for growth in the years ahead. There is the opportunity to integrate further toward consumers in many lines. This simply means more manufacturing by farmer cooperatives of the raw materials produced on the farm. Many opportunities still remain for supply cooperatives to integrate toward sources of raw materials. We see this in cooperative ownership of petroleum refineries and even ownership of the pipelines and oil wells which supply these refineries. We see it also in the growing number of fertilizer manufacturing plants and even the purchase of mineral deposits that supply the basic chemicals for this fertilizer.

These several areas, then, offer a great challenge to farmer cooperatives to do an increasing proportion of a greatly increased volume of business both in the production supplies and in farm marketing. The opportunity for our credit cooperatives to expand their services is also substantial.

We can be pretty certain there will be many changes required of cooperatives in the next decade. Someone has said, "The road to progress is always under construction." Being involved in the business of finance, I would also add, "And road building takes a lot of money these days."

The capital requirements of farmer cooperatives will become much larger. Most cooperatives will need to expand their capital requirements to increase the size of their operations, for modernization, for product diversification, and many for further integration of operations. It is likely that supply cooperatives will become more involved in credit extension because of the popularity of "point of sale financing." If their competitors extend this credit service, they often will have to.

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#### THE COOPERATIVE FARM CREDIT SYSTEM

This System has its genesis in the American Country Life Commission appointed by President Theodore Roosevelt in 1908. One of the findings of the Commission was that U. S. farmers lacked dependable source of credit at reasonable cost and on other terms suited to their needs.

The Commission recommended the establishment of a cooperative agricultural credit service to supply these needs. At that time farmers used comparatively little production financing, so the proposal was for a source of long-term farm mortgage credit. This recommendation apparently had the support of all farm organizations and the major political parties.

The Federal Farm Loan Act of 1916 brought into being the Federal land banks, which it is of interest to note, have the distinction of being the first federally sponsored credit program in the history of this country. In effect, the Government cooperated with farmers in developing a cooperative credit system which might be their own. Time will not permit going into detail, but a pattern was established with the land banks that was followed rather closely in legislation creating other parts of the System.

In the first place the country was divided into 12 districts with a Federal land bank located in each. In keeping with cooperative principles, loans were to be made through local associations of farmers (called national farm loan associations), and provision was made for a part-time board of directors for each district land bank and for each farm loan association. The 12 banks and the associations were chartered by the Federal Government and charged with a public purpose.

The basic capital of each bank amounting to \$750,000 was subscribed by the Federal Government. However, the law provided that as farmers obtained loans from the land banks they would be required to invest in the capital stock of the system an amount equal to 5 percent of the loan. It was anticipated that as farmers invested in the associations and the banks, and as these built financial strength from earnings, the Government capital would be retired.

Loan funds were not to come from the Federal Treasury but rather were to be supplied by sale of land bank bonds to the investing public. These bonds were not obligations of the Government. The land banks and associations were to remain under Federal supervision even after retirement of government capital.

Other parts of the System were created by the Congress in response to the needs of the times. The intermediate credit banks came in 1923; the banks for cooperatives, the production credit system, and the Farm Credit Administration itself, as a coordinating and supervising agency, came in 1933. You may be interested to know that the banks for cooperatives were capitalized by funds salvaged from the activities of the Federal Farm Board which was created by the Agricultural Marketing Act of 1929.

In each of the 12 Farm Credit districts there is a Federal land bank making long-term farm mortgage loans through about 740 local associations. In 1947 the land banks retired the last of their Government capital and have been owned since then by their farmer members. On June 30 this year they had loans of nearly \$3.6 billion outstanding. This is about 20 percent of the total farm mortgage business.

A Federal intermediate credit bank in each district makes loans to, and discounts loans of, production credit associations and some privately owned agricultural credit corporations. Of the 483 PCAs in the country, only three have any Government capital remaining. This totals only \$60,000 out of the \$90 million with which these associations were capitalized in 1934. The credit banks are being purchased by the production credit associations under terms provided by the Farm Credit Act of 1956.

For the fiscal year just ended, the credit banks made loans totaling \$4,715,000,000. About 96 percent of this was to PCAs. This accounts for about 14 percent of the total short- and intermediate-term credit used by farmers.

In addition to the 12 district banks for cooperatives, there is the Central Bank located here in Washington. These banks make loans only to farmer cooperatives. Principal purpose of the Central Bank is to purchase participations in loans that exceed the lending limits of the district banks for cooperatives.

Although exact figures are not available, studies indicate the banks for cooperatives provide more than half the total credit used by farmer cooperatives in this country. In some States where farmer cooperatives play an important role, estimates run as high as 90 percent for the credit supplied by the banks. Last year they loaned slightly over \$1 billion to 2,857 cooperatives.

Since 1956 farmer cooperatives have been buying these banks through the retirement of Government capital. Fine progress is being made with one district scheduled to achieve user ownership next year.

Loan funds for the three bank systems come from the sale of their securities to the investing public. The System serves as a mechanism by which farmers and their cooperatives pool their credit and market it in the financial centers of the country.

These securities, though not guaranteed by the Government, sell usually within a quarter of 1 percent of the interest rate the Treasury must pay on its securities of comparable term. Since 1933 no bank or association of the System has turned away a prospective borrower because it lacked loan funds. This is the basis for our claim of "dependable" credit.

#### ROLE OF THE BANKS FOR COOPERATIVES

There is no way to measure with any degree of accuracy contributions which these banks have made to the growth and success of farmer cooperatives. In the opinion of many cooperative leaders, the influence of the banks for cooperatives has been a dominant factor, going far beyond that revealed by dollar volume loan figures, though this is substantial.

Even today something approaching 60 percent of the credit used by farmer cooperatives comes from their own banks for cooperatives. This in spite of the fact that many cooperatives are now considered a prospective source of prime loan business by commercial lenders and competition for their business is keen. It was not always thus.

Thousands of local cooperatives have used the services of the banks for cooperatives. Most successful regionals over the years and still today borrow heavily from their cooperative banks. Another assist to the regionals has come from loans the banks made to locals for equity investment in the regionals.

At this point I would emphasize that the banks for cooperatives were established by the Congress as a source of credit for cooperatives. They are not expected to provide risk or basic equity capital for farmer cooperatives. This must come from the farmer members themselves. Years of cooperative experience teach that member equity is necessary:

- 1. As a reserve when the unexpected happens.
- 2. As a basis for sound growth.
- 3. As an element in member loyalty.

It is also our experience that member response to capital contributions is good if they understand the situation. Investment in their cooperatives is an eligible purpose for which farmers may borrow from both land bank and production credit associations. A few years ago the Federal Farm Credit Board enunciated a policy of encouraging these associations to lend to farmers for investment in equity capital of their cooperatives.

Some cooperative leaders believe that one of the greatest contributions of their banks for cooperatives has been the counseling service they render. This ranges all the way from assisting with surveys to determine need for the cooperative, through assisting with organization, operating analysis, and, at times, on to mergers with other cooperatives. Insistence by the banks on adherence to sound business principles has contributed to the success of many hundreds of cooperatives.

The banks for cooperatives are prepared to meet the growing credit needs of a greatly expanded farmer cooperative program. They have had more than 30 years of successful experience in financing farmer cooperatives. No loan application is too small to receive favorable consideration. Neither is any prospective loan too large to be made by two or more of the banks acting as a consortium.

Presently, lines of credit to more than one large regional exceed \$50 million; several exceed \$20 million. The present capital structure of the banks will support more than double their current loan volume which exceeds \$1 billion. The market for their debentures is excellent.

The operation of the banks for cooperatives, the production credit associations, and the land banks is highly decentralized. The System is largely farmer-owned and the membership participates actively in its management and control. This is a vitalizing factor that makes it responsive to the needs of farmers. I believe, therefore, that the cooperative Farm Credit System will continue to play an important part, both directly and indirectly, in the success of our dynamic and highly efficient agricultural industry.

Farmers Home Administration Cooperative Financing Aids 350,000 Rural People

by Howard Bertsch, Administrator Farmers Home Administration

USDA's Farmers Home Administration is more deeply involved in developing, financing, and supporting cooperative activities than ever before in our history.

We were given the golden opportunity by the agriculture and housing acts of 1961 and 1962 to work with groups of farmers and rural people organized on a nonprofit basis for benefit of themselves and their communities. And now, under the Economic Opportunity Act of 1964 FHA will help cooperatives and nonprofit groups formed by low-income farmers develop certain needed facilities that are not otherwise available.

We are helping more than 350,000 rural people through the cooperatives and nonprofit groups we finance. We are making and insuring loans to cooperatives in all but 4 of the Nation's 50 States. FHA also advances funds to individual farmers who need capital to invest in cooperatives.

#### COMMUNITY WATER SYSTEMS

Farmers Home Administration is helping rural cooperatives develop community water systems.

In hundreds of areas where water supplies for home use are unfit for human consumption, or inadequate for community needs, or both, we are helping farmers and their village neighbors form a cooperative to develop

water systems that give them all the water they need, under pressure and thoroughly treated. These are complete systems, with storage facilities, pumping stations, filter plants, mains, and laterals.

Families served by these water lines live better and have more adequate fire protection. Families who are seeking a new home site and industrialists looking for a place to build a small factory are often attracted to a community through a modern water system.

# COMMUNITY RECREATIONAL AREAS

Farmers Home Administration is helping cooperatives develop community recreational areas.

Facilities currently being financed include golf courses, swimming pools, playgrounds, a rodeo park, lakes for fishing and swimming, camping sites, trap and skeet shooting ranges, riding trails, ski areas, a toboggan run, and trailer parks.

These recreational areas -- like the rural water systems -- serve many purposes. Their construction and maintenance provide additional job opportunities for local people. These areas furnish much needed outdoor recreation facilities for both rural and urban residents, enhance the value of rural communities, increase tax bases, and take land not needed for agriculture out of production.

### LAND RESOURCES

Farmers Home Administration is also helping farmer cooperatives develop land resources.

By forming a cooperative, family farmers can obtain from us the funds needed to buy farm land, turn it into a grazing area, and cooperatively use it. This enables small farmers to get the land base they so urgently need to support expanding livestock operations. It is also an extremely important device for returning large tracts of land, when they come on the market, to the ownership and control of family farmers.

### HOUSING

Farmers Home Administration is helping cooperatives develop rental housing for hundreds of senior citizens in rural areas. This is indeed a most satisfying experience, for the development of housing adapted to the needs of our elder citizens brings them the comfort and privacy they justly deserve and enables them to stay close to friends, churches, and communities that have been so much a part of their active lives.

Farmers Home Administration is helping cooperatives develop farm labor housing. This not only enables the men and women who harvest our crops to obtain decent, safe, and sanitary housing, but also helps assure farm communities an adequate farm labor supply.

We are extremely proud of the headway we are making in helping rural people work together on a group basis to obtain services and facilities needed to strengthen their community's economy.

Most of our experience to date has been with groups wishing to cooperatively build and manage rural water systems. If this experience is any test, and we believe it is, of our skill in working with rural people on a group basis, then we are on sound footing. For these rural water systems are being organized and operated in a very capable fashion.

Each year our activity in this field is rapidly increasing.

In 1961 we advanced \$6 million to groups, in 1962 \$14 million, and \$19 million in 1963. We loaned and insured more than \$40 million during fiscal 1964.

We realize arithmetically you can only double your efforts so many times before you reach astronomical levels. We frankly admit in this respect that we are aiming for the stars.

# LOANS TO INDIVIDUALS FOR CAPITAL, EQUIPMENT, AND FACILITIES

Farmers Home Administration is also making good headway in advancing funds on an individual basis to farmers needing capital to invest in cooperatives. We have greatly liberalized our policies in this regard. We can loan funds to farmers in amounts that total right up to half the capital required by their cooperatives. We can loan funds on an individual basis up to half the membership of any farmer cooperative for purchase of the cooperative's stock.

Farmers Home Administration may also make loans to individual farmers for establishing group services needed in connection with their farming operations.

This authorization makes it possible for small groups of farmers to purchase expensive equipment and processing and storage facilities needed in connection with their farming operations.

Small producers often find it difficult to buy a large grain combine, land leveling equipment, or a bulldozer in face of the relatively narrow profit margins that exist on today's farms. Often, however, by banding together in a small group they can obtain the needed equipment. This equipment is sometimes owned jointly and sometimes one member of the group buys the equipment with the understanding that the other members will use it on a fee basis.

# COOPERATIVE LOANS TO LOW-INCOME FARMERS

Under the Economic Opportunity Act of 1964, our agency will help cooperatives formed by low-income farmers develop certain needed facilities not otherwise available.

Among these are such things as storage, grading, washing, packing, freezing, and canning plants; sawmills; and slaughterhouses. Farmers Home Administration will also help eligible cooperatives market agricultural products and handicraft items; purchase farm equipment, feed mixers, and farm supplies and establish other services including trucking and artificial breeding facilities.

We believe that this special assistance to cooperatives formed by low-income rural families will give more of them a chance to work together in solving common problems, will help them obtain resources they could not afford individually, and will enable them to work their way to a better living.

How Cooperatives Use Credit Resources

by Richard A. Dell, Deputy Administrator
Rural Electrification Administration

The loans and technical assistance which Rural Electrification Administration extends to cooperatives come from statutory provisions in the Rural Electrification Act of 1936 as amended. Section 4 of the Act says:

"The Administrator is authorized and empowered...to make loans for rural electrification to...cooperative, nonprofit, or limited-dividend associations..."

In Title II of the Act, added by Congress in October 1949, there is this provision in Section 201:

"...the Administrator is authorized and empowered to make loans to persons now providing or who may hereafter provide telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations."

Loans may be made to electric power companies, public power districts, independent telephone companies, and other applicants who meet the REA requirements, but 94 percent of the electric borrowers and roughly a quarter of the telephone borrowers are cooperatives.

## LOAN TERMS

The Act sets the rate of interest on REA loans at 2 percent per annum and the maximum repayment period at 35 years. Some initial equity is required for telephone loans, but the electric loans are 100 percent loans. A first lien on the utility system built with the loan funds is held by REA as security.

Borrowers benefit from a provision which defers repayment of principal for a period of 3 years. This permits the facilities built with the loan to be completed and to begin bringing in revenue. There is no such grace period for the payment of interest. Interest accrues from the time the loan funds

actually are advanced to the borrower. Advances are made from time to time as needed for paying construction costs and other loan-purpose expenses, in a series of notes. Debt service on the notes is scheduled for quarterly payments.

A number of requirements have to be met by the applicant in REA financing. Loans for electrification cannot be made under the Act for consumers living in communities of over 1,500 population or for consumers already receiving service from another supplier. Borrowers must agree to provide service on an area coverage basis, the very thinly populated parts of the service area as well as the better portions. The system to be built and the service to be provided must assure full repayment of the loan with interest. Construction must meet REA standards and specifications.

In addition to construction loans, REA does some small, but significant, financing of consumers' facilities. Section 5 of the Rural Electrification Act permits electric borrowers to obtain loan funds which may then be reloaned to their members to finance electrical wiring, plumbing, appliances, and equipment. These loans must be repaid to REA within a period of 10 years but carry the same 2 percent rate of interest as the construction loans. This Section 5 financing makes up about 1 percent of REA loans.

# STATUS OF THE LOAN PROGRAMS

Of 1,000 electric borrowers presently using REA funds, 935 are consumerowned rural electric cooperatives. And 222 of 838 telephone borrowers are subscriber-owned cooperatives.

Since its creation in 1935, REA has made electric loans amounting to nearly \$5.3 billion. Most of this, just under \$5 billion, was loaned to cooperatives. The total actually advanced to them so far is \$4.1 billion.

Borrowers -- the cooperative and others -- are repaying their loans on schedule and even ahead of time. By the close of this last fiscal year, they had made payments to the U. S. Treasury of principal and interest amounting to more than \$2 billion. By the end of August, we had only a single one of these borrowers behind schedule in its payment -- by an amount of under \$50,000. This is surely a remarkable record and one that we and the cooperatives are equally proud of.

In the newer telephone program, cooperatives had borrowed \$378 million by the end of the last fiscal year to provide modern dial service for more than half a million subscriber-members. Their payments to the Treasury in loan principal and interest amount to \$62 million.

#### **ACHIEVEMENTS**

Close to 5 million consumers now depend on REA-financed cooperatives for their electricity and are joint owners of the individual systems that provide that service. At the beginning of the REA program in 1935, only 1 farm in 10 had electric service.

Today 98 percent of the farms are electrified, and electric power serves non-farm rural homes, processing plants, recreation areas, businesses, and other establishments as well. Cooperatives with REA financing provide roughly half of this electrification.

While REA borrowers serve only about 8 percent of all electric consumers in the United States, they have put into operation more than half of all the electric distribution lines in the country. REA-financed systems generate, however, only about 1 percent of the industry's electric power production.

The improvement and extension of telephone service in rural areas since REA made its first loans has been equally dramatic. In 1949, only 38 percent of our farms had telephones of any kind. Today, a little better than three-fourths have telephones and most of them provide modern dial service. REA-financed telephone cooperatives serve more than half a million subscribers.

In working with cooperatives to electrify rural America and provide high-quality telecommunications, REA supplies long-term financing and technical assistance in engineering, accounting, and management improvement. The borrowers supply the local initiative, enterprise, ownership responsibility, and operating control. The result of this teamwork is seen in improved living conditions for rural people, increased yields in agricultural production, new payrolls in farming communities, a whole new multibillion-dollar market for electric wiring, appliances, and equipment, and a broader tax base stimulated by new economic activity which the two programs created.

### PROGRAM OBJECTIVES

Some people would have us believe that rural electrification is now completed, that the cooperatives should now turn their systems -- and their member-owners -- over to the power companies, and that REA should close up shop. These critics of the Federal lending operations and of the growth of the cooperatives have singled out the 2 percent interest rate and REA's lending authority to cooperative generating plants as special targets.

We believe, and our borrowers believe, that this interest rate and this lending authority are essential to the objectives of the loan program.

Congress set the interest rate at 2 percent in recognition of the special handicaps inherent in the task of electrifying rural areas. The favorable interest rate is one of the equalizers to help offset low consumer density, low revenue per mile of line, the lack of diversity in line load, and other problems which the rural electric cooperatives must overcome in the thinly populated rural territory which the power companies bypassed.

The availability of loan funds to construct generating facilities is another of the equalizers which Congress provided in the Rural Electrification Act. The largest single item of expense for co-op distribution systems is the cost of wholesale power. It accounts for 43 percent of total expenses and is not subject to internal control. If retail rates to rural

consumers are going to be kept within reason at all, financing must be available for generation and transmission purposes.

REA makes these loans only where: (1) No adequate and dependable source of power is available to meet consumers' needs; (2) rates offered by existing power sources would result in a higher cost of power for the consumers than the cost from facilities financed by REA; or (3) generation and transmission facilities are necessary to protect the security and effectiveness of REA-financed distribution systems.

The cost of wholesale power will have to be lower if farm families and other rural consumers are to have parity of rates and service with people who live in the cities. Although REA borrowers have brought down the retail rates for electric service until the average is now 2.33 cents per kilowatthour, electric service still costs country people more than it costs city people.

If rural America is to participate fully in our Nation's economic growth, it is essential that utility services be provided to rural people under rates and conditions comparable to those available to people residing in our towns and cities.

No matter what the general level of prosperity -- and that level has never been higher than it is in the United States today -- our economy cannot operate anywhere near its capacity if our rural life is blighted by poverty and despair.

In the fight to wipe out pockets of rural poverty and to maintain the confidence of rural people in their own destiny, we must be able to count on agricultural credit -- including REA loans -- and we must be able to count on the cooperatives.

One of the purposes we subscribe to throughout the entire staff of REA is strengthening the rural electric and telephone cooperatives. We believe the destiny of rural America requires member-owned cooperatives which will be sound, permanent-service enterprises.

Federal Crop Insurance and Cooperative Credit

by J. H. Morrison, Deputy Manager Federal Crop Insurance Corporation

Crop insurance is basically a cooperative venture. It is a self-help farmer's program whereby many farmers join together and pool their premiums in order that a few farmers who have suffered crop losses may be indemnified. Farmers pay all the cost of crop losses and approximately one-third of the administrative cost of operating the program while the Government pays approximately two-thirds.

## NEED FOR CROP INSURANCE

Crop insurance is an all-risk type of insurance. It protects the farmer's crop against all hazards of weather, disease, and insects. The amount of protection that the farmer can buy is limited to the cost of producing the crop. Farmers purchased over \$600 million of protection against loss of production costs on 16 million acres of crops in 1964. Insurance was offered on 22 different crops in 1,188 counties throughout 36 States.

# These crops were:

apples	corn	peanuts	soybeans
barley	cotton	peas	tobacco
beans	flax	potatoes	tomatoes
cherries	grain sorghums	raisin	wheat
citrus	oats	rice	
rye	peaches	safflower	

## CROP INSURANCE STRENGTHENS CREDIT

Never before in history has the American farmer found it necessary to have such a large capital investment and at the same time use so many dollars to produce a crop...and still have to sell in a buyer's market. Credit is absolutely essential in most present day farming operations.

A feature of crop insurance greatly strengthens the farmer's position in the credit field. This is the crop insurance collateral assignment. By use of this form, the farmer assigns any proceeds from the crop insurance policy to the private or public agency making the loan.

The collateral assignment has been widely used in some areas. Some production credit association officials make it a requirement. We feel this is one area where the Federal Crop Insurance program can render a real service to farmers in strengthening their credit position by removing the loss of a crop as a part of the loan risk. The agency making the loan can be sure the farmer will at least have enough cash income to cover his production costs if he carries crop insurance. Unfortunately, too many farmers and loan agencies are not aware of its existence. We hope to remedy this situation in the future.

### HELP WITH CROP LOSSES

Federal Crop Insurance can be important in strengthening the whole economy of a county or area where farmers have suffered severe crop losses—the loan agencies, the machinery dealer, the businessman on Main Street—everyone locally who depends on the farmer's dollar to stay in business. It may prevent the individual farmer from becoming a marginal farmer or slipping into the poverty group.

Just as cooperatives are a self-help program offering farmers an opportunity to work together to strengthen their muscle in the marketplace, crop insurance, too, is a self-help program offering farmers an opportunity to do the same thing in the field of credit and sound farm management.

# Rural Credit Unions

by J. Orrin Shipe, Managing Director CUNA International, Inc., Madison, Wisconsin

I would like to place emphasis upon four different areas that will help clarify the role of credit unions in the rural areas of the United States.

My intention is to concentrate first, upon where rural credit unions stand today as a developing movement; second, the place of credit unions in the U. S. rural economy; third, CUNA's organized efforts at expanding the services and the numbers of rural credit unions in the United States over the next 10-year period; and fourth, pointing out the position that CUNA takes in regard to encouraging credit union services among the Nation's rural farm and non-farm people.

### CREDIT UNIONS TODAY

As first consideration, let us look at some basic figures concerning the emerging growth of rural credit unions over the years.

As you will see in a few moments, rural credit unions in the United States seem to have only one way to go -- and that is up.

First, defining for you what we consider to be rural, let me point out to you that CUNA International is using for this purpose the Bureau of Census definition which defines as rural: Geographic segments where the population is dispersed in the open country and in towns and villages of less than 2,500.

Following this definition, we find that about 30 percent of the U.S. population lives in rural areas. This 30 percent figure includes, of course, the 8 percent of the population that comprise the Nation's farmers.

To find out where we are in the matter of America's growth of rural credit unions, we must of necessity turn to the estimated statistics for the end of 1963, since more current figures will not be available for another month or two.

We have 700 credit unions serving the rural people of America. Of these, about 430 are State chartered and 270 are federally chartered.

Together the members of these rural credit unions have amassed assets of more than \$133 million, shares of \$117 million, and have about \$7 million in reserves. These credit unions serve approximately 280,000 members.

A quick appraisal of these facts yields the realization that while a foundation has been laid and perhaps well cemented, the superstructure of the rural credit union movement in the United States is yet to be constructed and roofed.

# THE CREDIT UNION IN THE RURAL ECONOMY

In evaluating the design that this superstructure is to take, we must take a look at the surrounding landscape couched in terms of my second point of discussion: What is the place of credit unions in our rural society?

The development and history of credit unions in serving both farm and non-farm residents of our Nation are far different from those of Europe, where credit unions have from the very beginning served rural residents and served them well. In fact, when Friedrich Raiffeisen, the mayor of a Bavarian village, first began his credit union organizational efforts, it was among the farmers who could band together and help each other economically through this then-new idea -- the credit union. Even today, the roots of the credit union movement in Europe, especially of the Raiffeisen Societies, are deeply based among the rural residents.

Although credit unions are designed to serve rural and urban families equally well -- and administration of the Federal Credit Union Act was at first lodged in the Farm Credit Administration of the U. S. Department of Agriculture -- the development of rural credit unions hasn't spread so far in this country as it has in Europe.

Until recently, as a matter of fact, the major emphasis on the organization of rural credit unions appears to have taken place during the time they came under the Department of Agriculture, and its employees were out in the field -- especially in the Midwest -- organizing rural credit unions.

We are as certain today as Government and credit union leaders were 30 years ago that there is a definite and specific need for credit unions in our rural areas. Our farmers face most of the same problems today as our farmers did then. Our farmers need to learn to save regularly as much today as they did then. Our farmers need a convenient and low-cost source of consumer credit as much -- and even more -- today than they did then. In fact, today's highly sophisticated society puts as much pressure on the farmer as a consumer as it does on his city cousin. It is no longer just desirable but mandatory that farmers have a convenient and low-cost source of consumer credit at their disposal.

Just as they have done for millions of industrial workers in this country, credit unions can provide our rural population with assistance in their role as consumers. In addition, and perhaps even more important, credit unions can provide farmers and their non-farm neighbors with an additional means of strengthening their bond of association by enabling them to work with one another -- and help one another -- by sharing in the ownership and operation of their own credit unions. They will also be assured that the money they save together in their credit union will be used in their own community for the good of all their friends and neighbors.

There are many ways through which these people can go about setting up their own credit unions. They can choose as their common bond their membership in another kind of cooperative. (I'm sure most of you already are familiar with the tremendous job credit unions are doing in the Midwest in handling the accounts receivable for cooperatives.) Rural people can also choose as their credit union base their membership in a church or other farm or fraternal organization. Or they can choose their close association as neighbors in the same well-defined geographic area. Through this kind of association with one another, our rural people frequently share a tighter common bond than do their industrial neighbors.

Credit unions should also be established among the poor and less privileged people who do little more than exist in our rural areas. Credit unions are eligible for such activities as President Johnson's War on Poverty program -- under the community development programs envisioned under Title II of the Economic Opportunity Act. CUNA is currently working closely with its member leagues to urge them to participate as fully as possible in these community-level projects. CUNA also has developed its own War on Poverty program and, although major emphasis at the outset is aimed at the poor in our metropolitan areas, we hope to gain the knowledge and technical know-how from these pilot projects to make use of them as part of a continuing program to develop successful credit unions among the poverty-stricken.

We ascribe to the supposition put forth by David Caplovitz that "The Poor Pay More" and we are considerably concerned by recent statistics indicating that this country's high-rate money lenders are leaving the cities -- because of increased competition by lower rate lenders -- and establishing more and more offices in our rural areas.

## CUNA'S EXPANSION EFFORTS

My third point for consideration is to explain to you the organizational programs that CUNA International, Inc., has developed for specific use in encouraging the expansion of credit union services in rural regions. Last year CUNA developed and refined what we call our "Next 10 Percent Program," which singles out among its more important groups both the farm and non-farm rural residents of the United States.

In following through with these organizational plans, CUNA's Organization-Expansion Department planned and coordinated a special conference on rural and community credit unions held last spring at the Consumers Cooperative Association (CCA) facilities in Kansas City, Mo. The conference was attended by agricultural leaders from cooperatives, Government agencies, and the credit union movement.

The conference speakers were very enthusiastic about the challenges facing us -- the need and desirability of building a stronger rural credit union movement. They left the conference with an intense desire to organize more credit unions in rural America. We in the credit union movement were indeed encouraged by their attitude.

As I said earlier, CUNA firmly believes that there is a place and a need

for credit unions in our rural areas. We have no panacea to offer anybody. We do, however, have a workable idea that has helped millions of Americans do a better job of handling their financial resources. We recognize that rural people -- and particularly farmers -- have many specialized credit needs that we cannot and do not want to fill. We also believe, however, that farmers have the same wants and needs as their city cousins. They want their children to have better educations. They want their homes to have modern equipment. They face the same medical and dental bills as the rest of us. They want new cars. They need consolidation loans as badly as our urban residents. They are just as confused about the cost of borrowing money as our urban consumers. In short, they need the kind of help and education that credit unions have demonstrated they can give to any group of people which is willing to work together for its common good.

The sleeping giant here, however, in our opinion is the fact that the ground for developing and encouraging credit unions in rural America has not been tilled very energetically. In view of this, the ultimate potential seems almost larger than we are able to visualize. The key to development here lies in assembling a core group of people dedicated enough to begin some organizational activity.

Finally, in summary let me firmly make it clear that CUNA International, Inc., and its member leagues and credit unions stand ready to assist any interested person or groups who wish to organize rural credit unions among the dairy farmers of Wisconsin, the wheat farmers of Kansas, the beef ranchers of Nebraska, or the small-town residents across the faces of America, to name only a few.

The credit union movement has taken upon itself the tremendous challenge of anchoring rural credit unions in the soil of America's villages and small towns, among the farmers and ranchers of America, and for the poor who live in comparative isolation out in the rural reaches of our land.

But we know from experience that the leaders of the credit union movement cannot take a challenge of such a vast scope as this upon themselves without vital and much-needed assistance and devotion from other people. I know that we can expect this fine cooperation from many leaders in agriculture such as you folks here today.

# We are deeply appreciative of your inviting us to be here.

M. A. Abrahamsen, Deputy Administrator, Farmer Cooperative Service, standing, was chairman of the seminar on credit resources. To his left are R. B. Tootell, Governor, Farm Credit Administration, and J. H. Morrison, Deputy Manager, Federal Crop Insurance Corporation. To his right sit the other panelists, J. Orrin Shipe, Managing Director, CUNA International, Madison, Wis., Howard Bertsch, Administrator, Farmers Home Administration, and Richard A. Dell, Deputy Administrator, Rural Electrification Administration.



SEMINAR II -- The Business Side of Cooperatives

Chairman -- Glenn E. Heitz, Deputy Governor Farm Credit Administration

How Cooperatives Extend the Farmer's Business Into the Market Place

by Wilmer Smith, President
Plains Cooperative Oil Mill, Lubbock, Texas

For this discussion, I shall limit myself to the cotton cooperatives that make up an integrated system on the High Plains of Texas, with brief mention of the Producers Grain Corporation of Amarillo, an organization that markets feed grains and wheat.

While I say the system is integrated, we actually accomplish this through separate organizations. Members of one of the cotton cooperatives are usually also members of the others they need services from -- services such as quality seed, ginning, compresses, marketing lint cotton, and an oil seed mill.

I'd like to talk first of the Plains Cooperative Oil Mill. It is probably the oldest of the regional cooperatives on the High Plains and has probably set the pattern for the other organizations.

Its members are gin cooperatives with 169 gin plants. Eight new organizations will become full members with the 1964-65 crop.

A conservative estimate of the total assets of the gins is about \$50 million, with member equities equalling \$35 million. In 1964 these gins did \$42.1 million worth of business, and had savings of \$8 million on about 850,000 bales ginned.

The Plains Cooperative Oil Mill has a milling capacity of about 350,000 tons and last year its earnings were \$1.4 million. Since our first year of organization in 1937, we have had only 3 years in the red. From 1937 to 1964 we have earned and returned to the member gins about \$20 million.

To handle the lint cotton in our system here, we have two compresses -the Plainview Cooperative Compress established in 1953 and the Farmers Cooperative Compress in Lubbock, established in 1948. Of the 92 organizations that make up the Plains Cooperative Oil Mill, 21 belong to the Plainview Cooperative Compress and the remainder to the other compress.

These two compresses have total assets of about \$6.5 million, with

member equities of a little over \$4 million.

The 1964 audit of the Lubbock compress showed savings of \$1.7 million on handling about 646,000 bales. In the 16 years since its formation, it has earned and returned to members nearly \$10.6 million.

We also have the Plains Cotton Cooperative Association to market the baled cotton. This cooperative is made up of some 23,000 farmers. It has total assets of about \$3.9 million and member equity of \$2.8 million. Savings last year were about \$1 million. In the 11 years of its life, this marketing cooperative has earned over \$5.9 million for its members.

We also have the Texas Planting Seed Association -- in existence about 21 years in the State but relatively new to the Plains area. We will be operating through it a delinting plant and seed storage facilities here in Lubbock for the first time this year. This represents an investment of about half a million dollars.

A discussion of the cooperatives on the Plains wouldn't be complete without a mention of the Producers Grain Corporation of Amarillo. It has about 100 member organizations and these 100 organizations average about \$1 million in assets each.

Thus, with all these cooperatives, we are able to go from planting seed to the gin, the compress, the marketing association, and the cottonseed crushing association with our cotton, and to also market our grain.

## DEVELOPMENT OF PLAINS COOPERATIVE OIL MILL

I am sure the next question you would like to ask is: How is all this possible?

Let me give you a brief answer that represents some of the thinking that went into our starting the oil mill. In 1936 we had about 20 cooperative gins in the area, mostly Farm Bureau cooperatives. The mill set out with a goal of signing up 15 cooperative gins as charter members. With cottonseed bringing \$15 a ton and lint selling as low as 4 to 6 cents a pound, neither the gins nor the farmers had ready money to finance such a major undertaking as an oil mill.

To obtain stockholders, the new organization accepted notes from the gins instead of cash. To pay the notes for preferred stock, the gins obligated themselves to have \$2 deducted from the price of each ton of cottonseed delivered. Thus the low price of \$15 a ton was further reduced to \$13 in cash and \$2 in stock.

We bought a well-worn peanut crushing mill with borrowed money, moved it to Lubbock, and set it up at its present location. This mill used a hydraulic system to press oil from the seed.

Minutes of the membership meeting held July 20 listed 21 cooperative gins as stockholders in the mill. Each gin chose one of its members to

represent it on the mill's board of directors. The contact at the monthly board meeting between the gins and their mill contributed in large measure to the rapid progress of the mill, we believe.

Why, you may ask, would cotton farmers already in debt go deeper in debt to enter a highly technical business about which they knew almost nothing?

Because they were having to sell their cottonseed at an average of \$3.56 a ton below the price of cottonseed in the Dallas area, and as much as \$5.21 the year the mill was organized, in 1936.

Producers had been told that the type of seed they produced caused this lower price. But after they began to crush their own seed they found that seed from the Plains area is substantially richer in oil than seed from the other areas of the State that received higher prices before the mill started. Our seed, in fact, is a premium seed rather than a discount seed.

From 1938 to the present time, every ton of seed on the Plains sells on a grade basis -- unless the seller believes it is to his advantage to sell at so much a ton, usually because he knows it will grade below 100.

Thus we can report that every farmer on the High Plains, as well as the members of the Cooperative Oil Mill, has reaped an average of \$2 to \$3 a ton more, and sometimes \$5 a ton more than the prices paid down state. A conservative estimate shows growers have added as much as \$3 to \$4 million to their income from the increased value of the seed alone, and without counting in the added value from the processing done in the mill.

# OVERCAME OUR EARLY PROBLEMS

We were able to handle our financial problems in the early days because of the Houston Bank for Cooperatives, an arm of the Farm Credit Administration.

We were also able to succeed in spite of the determined opposition from others in the industry already well established.

The mill itself had some struggles in its early years. The minutes of the early years' business shows that the gins were not happy with the \$13 price that allowed for the \$2 retain in order to pay off the capital.

Other problems included these -- little money and no equity capital... trying to sell products in a field we knew nothing about...trying to operate with people who knew little or nothing about the operation of a mill.

At the end of 1943 we thought we were really whipped. But the Houston Bank for Cooperatives sent us Roy B. Davis, their Secretary, to be our manager. His good management techniques started us on the way up.

He also got us started using one man from each member gin on the official board, in spite of opposition from some that 21 board members were

unwieldy. But we find this works and today have 92 board members with 8 more coming on for this year's business.

We will admit our board meeting is a little unusual. We assemble at the mill about 11 and visit until noon, when we have a buffet luncheon.

We then go into a board meeting, with all of the business transacted there. This usually takes from an hour and a half to 3 hours.

An executive committee of 9 performs only those functions specifically assigned it by the large board.

Half the board is made up of gin managers; the other half farmer members or employees of the gins, with the farmers usually coming from those on the local gin board.

I suppose you could say that in reality we hold a membership meeting every month instead of a board meeting.

## COMPRESS AND MARKETING COOPERATIVE

Until 1948 we depended on local commercial presses and had no cooperative ones. In 1947 we found we couldn't move our fine crop because the compresses didn't provide enough facilities to handle it. To make it worse, we could do nothing with our cotton until we could get a warehouse receipt with certified weight and number, and only a compress could issue this.

So the cotton stacked up, as much as 2,500 bales at the New Home gin, as an example.

While all this was going on, the price of cotton dropped as much as \$30 to \$40 a bale.

So we really paid for a compress without owning it, simply in the price lost per bale of cotton while we were forced to hold it.

We began to wonder then if we couldn't do the same thing in the compress field that we had with our oil mill. And in 1948 we brought into being the Farmers Cooperative Compress in Lubbock.

We handled only about 12 percent of the High Plains production the first year. But from the day this cooperative gin opened until today, not a single bale of cotton has been compelled to stay long periods on any gin yard -- either ours or someone else's. Here again all the farmers in the area served by this compress thus benefited.

Plainview Cooperative Compress came into existence in 1953 -- simply because the Lubbock press was overcrowded and couldn't handle all the members' cotton efficiently. So we opened up this new organization with 21 gin members.

#### PLAINS COTTON COOPERATIVE

Much of the same sort of story of need on the part of farmers for a better system of marketing is behind the formation of the Plains Cotton Cooperative Association. The success we had made with the mill, the gin and the compresses, encouraged us to think we could add more to our income if we could take our cotton directly from our warehouse to the mill door.

Thus we formed Plains Cotton Cooperative Association in 1943.

Its dollar volume has been high over the years. And while its dollar earnings as such have been rather low, we have received much higher income on the total job of merchandising cotton because we were in the marketing business.

We believe this association is the world's leader in processing samples, in data processing, and in keeping information readily available for everyone. Data processing allows it to keep records of cotton received, of the ginning as it appears on the sample. It provides courier service -- employees in trucks -- to carry records, checks, and needed papers back and forth daily between the gins and the marketing associations.

We can also look at the reports daily to see how good a job of grading is being done. We have been able to make a number of corrections at the gin level rather quickly because we obtained this type information by use of data processing.

Growers are in effect daily kept in touch with cotton exchange markets since the marketing association daily passes on to them the bids it receives.

We and other cooperatives have formed Soy Cot Sales in Chicago to help us with our marketing.

### FUTURE FOR THE OIL MILL

Now back to the oil mill -- and I'll look to the future for you. As I told you in the beginning, this mill started out as a hydraulic one. We then used the screw press system, and changed to the solvent system about 1953 -- the first oil mill west of the Mississippi to use this method of extraction on cotton seed, I believe.

Solvent processing created problems, however. Our cottonseed meal seemed too dry. We searched for a way to get some kind of oil back into that meal. We eventually put in a degumming plant to degum oil in the miscella stage. This puts the gum back into the meal to improve it.

We've installed refineries in two of our mills to get a higher quality meal.

We are also currently investigating processing salad oil. We recently performed an experiment to see just what we might be getting into if we did this.

We weighed 2,500 tons of cottonseed and processed it. We checked the amount of oil produced in the crude stage, what our "refining losses" are if we refine it, and what these losses would be if we converted the oil to salad oil. We are thus in the process of setting up some yardsticks by which we can measure which way we should go in this field.

I am thoroughly convinced that farmers can operate good business organizations and must sometimes take some losses if necessary to make the breakthroughs that will give us a little bit more income on our products.

The competitive situation in cotton shows full well that something must be done to increase the farmer's income so he can stay in business.



Wilmer Smith, President, Plains Cooperative Oil Mill, Lubbock, Tex., told how the several cooperatives in his area extended the farmer's business into the market place.

Glenn Heitz, Deputy Governor of the Farm Credit Administration and Director of the Cooperative Bank Service, was chairman of the Seminar on The Business Side of Cooperatives.



SEMINAR III -- How Cooperatives Help Develop Stronger Rural Communities

Chairman -- A. T. Mace, Deputy Administrator Rural Community Development Service

What A New Cooperative Industry
Meant to Our Community

by Charles L. Packard, President Cove Apple Packers Cooperative, Inc. Martinsburg, Pennsylvania

It is, indeed, a high honor for me to be asked to participate in this seminar on How Cooperatives Help Develop Stronger Rural Communities.

#### EXPERIENCE WITH COOPERATIVES

First, I feel that I should give some background on my experiences with cooperatives in general and also with the six cooperatives of which I am a member.

It was 26 years ago, last month, that I purchased the orchard property I still own and operate.

The very first thing that needed attention was securing electricity. It seemed odd that even though my property was only 2 miles from an industrial town of 3,000 people we had no electric service. Stranger yet, our property was only 800 yards from the power company's high line. Sure! We could get its service at a cost of \$1,200 which in 1938 was a lot of money.

Result: The development of the Valley Rural Electric Cooperative with the help of the Rural Electrification Administration. This cooperative has had a healthy growth over the years until now we have 1,600 miles of line and over 8,000 members and are paying to our members their capital credits on savings on a 5-year rotation schedule.

I have been a director of this cooperative for 23 years and have served as its president many terms.

Next, the need for an outlet for my processing apples was apparent, so I joined Knouse Foods Cooperative, Inc., Peach Glen, a strong power in the processing business in our State. Another type of processing is a juice plant, Berks-Lehigh Cooperative Fruit Growers, Inc., Fleetwood, Pa., of which I am a member. I served as director and an officer in it for many years.

Another need that developed was for production credit with an understanding of the farmers' problems. The answer to this was East Central Fruit Growers Production Credit Association, Hagerstown, Md., of which I am a member.

The Pennsylvania Farm Bureau Cooperative Association, Harrisburg, serves in my area as a supplier to farmers for their needs, and I am also a member of it.

The last and most vital of the cooperatives I have joined is the Cove Apple Packers Cooperative, Inc., now in its third year and the one I will discuss in more detail a little later today.

So much for background.

#### LESSONS LEARNED

Now what lessons have I learned about cooperatives in these 25 years?

- 1. First and foremost, a cooperative is not a panacea. There must be an urgent need for some service or help. Just because a few people want to get together to form a cooperative is not enough. John Gauss of the Pennsylvania Extension Service -- whose advice we used in forming Cove Apple Packers Cooperative -- says that 80 percent of all cooperatives started in Pennsylvaia have gone out of business in 10 years.
- 2. Cooperatives must be operated in a businesslike manner. They will not run themselves. Management must be of the best. Business methods and records must be above reproach. Competition is strong.
- 3. Bylaws and marketing agreements must be modern, well understood, and well enforced. You just can't afford to have some members who do not support your cooperative fully. There should be no backsliders or special privileges.
- 4. Your cooperative must have a high community spirit. Its people must want to join in community activities; support drives; advise the community what it is doing; ask for community support and give its support to the community in return.
- 5. A properly organized, successful cooperative acts as a yardstick to keep other businesses in proper focus. This has been proven to me many, many times. What would my electricity charges be, if the rural electric cooperative had not been built in my area? What would other processors pay for my apples if a strong cooperative had not been showing their true value? What would my production credit cost me without the Production Credit Association as a yardstick?

If these points are understood and followed, there is no doubt, in my mind, that a cooperative will help to strengthen a rural community.

# APPLE PACKING COOPERATIVE

Now, for a more detailed look at the latest cooperative venture, The Cove Apple Packers Cooperative, Inc., of Martinsburg, Pennsylvania.

### THE NEED

Was there a need for it? After the five commercial growers, who are the owners, met several times and studied the possibilities and needs, we decided that the venture was a step in the right direction. I am sure that we growers spent many sleepless hours during the time when we were trying to decide how best the problems could be met.

A need was quite readily apparent. We, the growers, all had good, well-established orchards; we all had enough new trees planted to double our production in 5 to 8 years. But to take care of this need we had done nothing about our packing and storage facilities. We had done nothing basic to develop or expand our markets. Any packing and grading equipment we had was entirely obsolete and inadequate.

As individual growers we were never able to satisfy the volume buyer, the buyer who is able to move large quantities of fruit at prices that more nearly meet the value of good fruit, well graded and packed. What we did do, to a great extent, was compete with each other, and bid against each other for a few small local outlets that usually were smart enough to have us bidding each other down in price and still not moving any real volume.

Although we were modern in our production, none of us, as individuals could afford to make the enormous investment necessary to modernize our grading, storage, and packing equipment.

You can see we had the need.

### THE STARTING

I could take a lot of time telling of the heartaches and the humor that went into the developments, but that isn't necessary.

Three things helped to get us started:

- 1. Availability of an abandoned corn cannery which could be bought at a bargain. This property had 20 acres of land, 50,000 square feet of usable buildings, city water mains through property, rail siding, and most of necessary things to have a good property site.
- 2. Knowledge that we could expect some help through the Rural Areas Development program. This was learned from a meeting held in the area which really set a fire under the members.
- 3. The real interest shown by the local community, the local banks, and the Pennsylvania Industrial Development Corporation.

As a result, negotiations started. We wanted to get a firm start so we had a meeting with: (1) A Cooperative Extension advisor; (2) A cooperative attorney; (3) a marketing specialist; (4) a cooperative accountant.

Eight months after we decided to go we were packing apples in our new facility. We can grade and pack 800 bushels an hour. Our plant and equipment was designed by Food Industries Research and Engineering of Yakima, Wash.

We planned big enough to take care of future expansion. We have rigid bylaws and marketing agreements. We insist on 100 percent of the growers' fruit going to the cooperative. That means it isn't just another place to sell the apples; it is the place to sell them.

Growers pay fixed charges: 25 cents a bushel storage, 35 cents a bushel for grading plus the package cost, and 5 percent of sales price for sales service.

From these charges, the cooperative pays salaries, interest, principal, office expense, trucking charges, package costs, and other costs.

The amount left at the end of the fiscal year is then distributed in two ways. Ten percent is set aside for capital reserves and the balance goes to the growers in Class B stock according to their share of the fruit sold.

#### THE ADVANTAGES

We are now in our third year and advantages we realize are:

- 1. Combining the harvest of all the growers gives a big enough block of fruit to draw the bigger and better buyers.
  - 2. The modern plant maintains control of pack for uniform quality.
  - 3. A variety of packs and grades attracts more buyers.
- 4. The cooperative can pack cheaper and better than an individual grower and besides does a better job with washer, grader, and packing lines.
- 5. Growers are learning to produce what the buyers want -- we harvest, not pick our fruit.
- 6. We now have a man who is trained in selling, who can give his entire time to the marketing.

# EFFECT ON COMMUNITY

Now to sum up, what does this new industry mean to the community?

The one-half million dollars capital investment put into circulation has a chain reaction effect many times the amount. It is conceded that for every \$1 invested you usually put \$11 to work.

This year our payroll will amount to over \$75,000, our trucking costs will be over \$50,000, our package costs over \$100,000, and our principal and interest will be another \$30,000. Other substantial payments will be made for electricity, insurance, telephone, and local, State, and Federal taxes.

Strong evidence of what the industry means to the community was shown when we held an Open House. Over 1,600 came in a weekend blizzard to watch the packing line operation. The local newspaper, The Morrisons Cove Herald, ran a banner on its first page, Welcome to Cove Apple Packers Cooperative. A special six-page section with feature stories on the cooperative and advertisements carried greetings from local businessmen.

Probably the most important effect is the strong base established under the apple growers in the area. The growers have a more secure feeling. They are willing to plan for the future, with new planting, new enthusiasm, and new confidence.

Finally, a cooperative is no cure-all, but if there is a need and with rigid business procedures it can help build a stronger rural community.

How Cooperatives Benefit Rural Communities

by Edward E. Slettom, Executive Secretary Minnesota Association of Cooperatives St. Paul, Minnesota

We wish to commend the Secretary of Agriculture and the United States Department of Agriculture for observing October as Cooperative Month. We believe that cooperatives have been a very vital force in the development of agriculture in the United States. We know from firsthand experience the dynamic impact they have had on Minnesota agriculture and economy generally.

Perhaps what I have to say here today could best be summarized by a statement which appeared in a Minnesota Farmers' Institute manual published in 1913. In this publication, Dr. T. L. Hacker, who was one of this Nation's great dairy scientists, had this to say about the influence of dairy cooperatives in developing stronger rural communities in Minnesota:

"In a short time, the beneficial results from cooperative dairying became known all over the State, and creameries multiplied rapidly, and in a few years a cooperative creamery was in operation in nearly all communities where there were enough cows to warrant their establishment. The mortgages were soon canceled; thrift was in evidence on every hand. It brought cash payment at the stores every month, more money in the banks, better schools, better churches, better salaries to teachers and preachers, better roads, better and happier homes, and more contentment to those engaged in agriculture."

I believe that one of the main overall benefits of cooperatives has been their influence on the ability of our Nation's farmers to produce food abundantly, while at the same time allowing farmers to maintain their individual

status. A framework of cooperation has made this possible.

# MORE POWER IN THE MARKETPLACE

Through this framework of cooperation, farmers have been able to secure more economic power in the market place than would otherwise have been possible. Farmers have found it possible to tap the profit points between them and the ultimate consumer. Farmers have had a mechanism through which they could initiate product improvement and aggressive merchandising. Through cooperative financing, farmers have been able to get financing at cost and thus maintain freedom and dominion over their farms.

Over the years, hundreds of millions of dollars above the current prices received for farm products have funnelled back to the farmers' pockets in the form of patronage refunds...dollars which otherwise would have gone to others.

# BETTER SUPPLIES AND SERVICES

In the procurement of supplies, farmers have used cooperatives effectively in securing top quality products and services at the lowest possible cost. Here again, from tractor to refinery, farmers have been able to tap the profit points of this distribution system and the rewards have come back to them through savings of millions of dollars. Through cooperatives, 90 percent of the farmers of America have been able to make electricity their servant.

### OTHER BENEFITS

These and many more examples of how cooperatives have helped individual farmers have had the effect of making the farm and the urban community stronger and more prosperous. Cooperatives have provided a vehicle through which money could channel back into the community. They have helped to reverse the trend of draining the resources from small communities to large metropolitan areas. The millions of dollars which annually go back to farmers in the form of patronage refunds contribute added wealth to a local community.

Although often misunderstood, cooperatives continue to contribute their full share of all forms of taxes to the local community. In fact, in many of our small towns cooperatives are indeed the heaviest taxpayers. One only has to check the records of the county treasurer to determine this statement to be fact.

Processing agricultural products close to the farm community has provided local jobs and payrolls. This in turn has helped other industries of the town. It has helped to attract new industries to the community.

Not to be overlooked is the fact that cooperatives have provided a vehicle for leadership training in the conduct of a business. Cooperatives have given a feeling of "community togetherness." They have broadened the base of ownership, adding to the security of our communities. Through competition, cooperatives have provided a means to combat monopolies. The onemember, one-vote principle has helped to safeguard the democratic principles

upon which our Nation was founded. Cooperatives have, indeed, been good teachers of democratic principles.

Someone has said, "Wherever there is a human need, cooperatives can meet it." This is true because cooperatives have as their prime motive the providing of a service. If savings are made, these become an added bonus. The service feature makes it possible to use the cooperative technique for the most elemental task to the most complex.

American agriculture is ripe for a new awakening to the value and potential of cooperative effort. These seminars on cooperation, and the publicity which has flowed from the Governors' Proclamations and actions of the Secretary of Agriculture are a beginning step to cause all farmers and the people of our communities to re-examine the cooperative as being a tremendous economic tool which people have at their disposal to solve many of their problems.

If the cooperative idea is properly understood and used to the fullest possible extent in American agriculture, I am convinced that the individual farmer can continue as the master of his vineyard and that he will meet the needs of people for food and fiber.

How Mecklenburg Electric Cooperative Helps Develop Stronger Rural Communities

by J. E. Smith, Manager Mecklenburg Electric Cooperative Chase City, Virginia

Then a person connected with rural electrification is called upon to talk about industrial or economic development, the first thing that enters his mind is the rural electric program itself. Each electric cooperative is an industry -- a locally owned enterprise that has a significant economic impact on the communities it serves, as well as on the Nation as a whole.

Rural Electrification Administration borrowers have spent \$4.5 billion in labor, poles, wire, transformers, and other equipment to build the necessary facilities to serve 5.2 million rural families, churches, schools, and other establishments. For every dollar spent to bring this excellent service to the remote rural areas, the consumer spends \$4 for wiring, appliances, and equipment. So this program has conservatively created a \$20 billion industry since its beginning in 1935.

#### CHANGE IN INDUSTRIES

I come from a small town in Southside Virginia. Our cooperative serves a narrow strip along the North Carolina border, covering parts of nine counties. This area, in the past, has been a tobacco, peanut, and pine timber area. In the tobacco areas, because of the great need for labor, there have been many low-income tenant families. Our main industries in the past have been agriculture and timber.

The picture is changing because of the shift in the market for tobacco. With allotments on tobacco constantly decreasing, there has been less and less need for available labor and many of these families have moved away from the farm.

#### NEED FOR EMPLOYMENT

There has been, and still is, a great need for employment of our youth graduating from our high schools. This has been particularly true with Negro youth. We educate our youth and they leave home and go to the cities to find employment.

Our cooperative has recognized this problem over the years. It has seen service after service on its lines become idle because families move away. At the present time we have in excess of 2,600 idle meters - representing 15 percent of our service installations. We know that this picture will continue to grow worse unless something is done to offer employment to these people. We know that our electric cooperative will not continue to grow and succeed if this trend is not checked.

The population of our area is roughly 50 percent white and 50 percent Negro. In the past, the only employment opportunities have been in agriculture and in lumber plants for white and Negro men. We have had several garment and shoe factories employing mostly white men and women. Therefore, our greatest need for jobs has been for Negro women. When they graduate from our schools, they either have to work as domestic help or move to the cities. The second greatest need is employment for men, both white and Negro. Too many of our youth are leaving home to find employment.

# INFLUENCE OF THE COOPERATIVE

I mentioned the economic impact of the electric cooperative on the communities it serves. Last year the payroll of Mecklenburg Electric Cooperative was over \$446,000. We have 82 employees and most of these own their own homes and other properties. It is estimated that these employees own, and pay taxes on, homes and properties valued at \$800,000.

Our cooperative's revenue in 1963 amounted to almost \$1.7 million. Unlike outside investor-owned companies, these monies are not taken out of the community, but to a great extent are spent locally in payrolls, vehicles, taxes -- and we do pay taxes -- and other expenses.

Electric cooperatives in Virginia pay the same taxes as other utilities. Last year we paid \$136,000 in taxes. In fact, since the cooperative was organized in 1938, we have paid property taxes to Mecklenburg County, the county in which our headquarters is located, in an amount equal to the cost of one of its four consolidated high schools. Since electric cooperatives operate on a non-profit basis, they have no income on which to pay income tax.

The cooperative has borrowed and spent approximately \$10 million in facilities. If this investment is to be protected and the cooperative is to grow, something has to be done to stimulate the economy in this area.

Too many of our farms are being purchased by the pulp and paper indus-

tries -- the families moved, buildings demolished, and the whole farm planted in pines. This is happening almost daily in Southside Virginia. Too many of our rural families are underemployed, with per capita incomes far below the national average.

From the very beginning of our cooperative, we have employed graduate agricultural engineers and home economists to assist consumers in promoting adequate wiring on the farm and in the home. These specialists constantly encourage the greater use of electricity, where such use will be of benefit to the consumer. They work with 4-H groups, home demonstration groups, schools, and with the public in general. We have, at present, three agricultural engineers and one home economist on our staff.

These specialists have conducted successful programs in electric house heating, all-electric schools, better lighting in the homes, crop irrigation, bulk curing of tobacco, peanut dryers, egg product factories, and many others too numerous to mention here, all to improve the economy and standard of living of the rural people in our area.

We have for a number of years had a consumer financing program to lend money to our consumers at low interest rates to purchase electrical appliances and equipment. To date we have made 2,300 loans in a total amount of \$914,000. At present, \$668,000 has been repaid, leaving an outstanding balance of \$246,000. As of this time, we have had one loss in the amount of \$109 which represents 0.01 percent of the total. This program is similar to the Section V loan program of the Rural Electrification Administration (REA), but the cooperative does not borrow funds from REA for these purposes. It uses its own reserve funds on a revolving basis.

Our industrial load is meager compared to the industrial loads of other utilities. Ours represents only 16 percent of our total load and our revenue from industrial loads is only 15 percent of our total revenues.

However, our main interest in industrial and economic growth is not so much to serve the load itself but to provide employment to our members so that they may remain at home and have a standard of living comparable to their urban cousins. When the cooperative improves the welfare of its member-consumers, it is improving the cooperative, too.

## EFFORTS TO PROVIDE ADDED EMPLOYMENT IN COMMUNITY

The cooperative has been interested in and has put forth some effort over the years in industrial development to provide jobs for our rural people. We have assisted some small industries and worked with others in providing an adequate supply of electricity. These include a pumping station on a gas line, a metal tank fabricating company employing approximately 30 people, several egg factories, a local radio station, rock quarries, feed mills, and other small commercial accounts.

However, the most interesting endeavor on our part has been our experience with the Chase City Manufacturing Company, a garment sewing operation, which now employs almost 700 persons. In the spring of 1962, it was learned that this comparatively new industry in Chase City was thinking of moving

away because of building problems. At the time it was employing about 350 white women in three old renovated tobacco buildings. The operation was inefficient because the buildings were not suitable and were at different locations. Further, the business could not expand at the existing locations.

This industry was growing fast due to the energy and progressiveness of its management. Since settling in Chase City it has shown constant growth.

The cooperative learned of the desire of the management of this manufacturing company to expand by starting an operation that would provide 200 jobs. We contacted the owners telling them of our interest in seeing the business grow. They asked a very simple question. "Can you arrange for financing a building of approximately 17,000 square feet over a period of 15 years at a low interest rate? We need our capital for purchase of equipment and inventory. The low interest rate will tend to offset the liberal offers made to us by other towns."

Our reply was to let us try. We estimated that the building would cost \$120,000. The cooperative discussed this with the local bank and the local Industrial Development Corporation, of which I was president. The local people said that this money could not be raised locally.

We discussed this matter with REA personnel and they arranged for us to meet with Small Business Administration (SBA) officials. We were almost assured of a loan from SBA, but in going back to our local people, we were told that the 20 percent requirement of local funds could not be raised.

The cooperative then decided to develop an industrial park on the outskirts of Chase City. We purchased a 10-acre tract of land where the cooperative had in place a three-phase line and bank of transformers which at one time served an all-electric saw mill. The saw mill had been abandoned. We obtained an option on another 10 acres for future growth of the park.

We donated to the town of Chase City one-half acre of land for a well and one acre for a lagoon sewerage and to connect the park to the town water system.

The cooperative then decided to invest \$120,000 of its own reserve funds in the building, taking a 15-year mortgage. This later was changed to 10 years. The building was completed in December 1962. The Southern Rail-way Company renovated an old railway spur to the property and the cooperative began negotiations with the Virginia Highway Department to improve a secondary road through the property.

Chase City Manufacturing Company started operation in the building in January 1963 and by late spring the building was filled with 200 new workers. The company then needed further expansion and at the same time wanted to consolidate its operations after experiencing the increased efficiency realized in the new building.

Of course, it came to the cooperative to see if we would finance the expansion but we were unable to do so. However, we cooperated with the

management of the company in finally securing a loan of \$240,000 from the Virginia Industrial Development Corporation to construct an addition of 54,000 square feet. This addition was completed in early spring of 1964. So the company is now operating in a new building of approximately 71,000 square feet.

The cooperative further assisted this company by providing the services of our engineer as architect and supervisor of construction for both buildings. The company is now employing almost 700 people. The cooperative not only sees the economic impact of this industry on the rural area that we serve but we gained an electric consumer with a \$1,000 account each month.

The company is ready to expand again. It wants a building to employ 200 additional people. The officials of this company have stated time and again that the company would not now be in Chase City if it had not been for the Mecklenburg Electric Cooperative.

We believe an active program of rural areas development on the local level will pay dividends. We know the need is there in many areas, certainly in our area. We believe the rural electric cooperatives can play a vital role in such programs because they are locally owned and have a wide membership base. However, we are limited in what we can do by both personnel and budget. Otherwise, I am sure we would have a full-time promoter on our staff working in this field alone.

Contributions Cooperatives Can Make to Solving The Problems of the Disadvantaged

by Thomas L. Delton, Field Representative Rural Community Development Service U. S. Department of Agriculture

The history of the cooperative movement is a history of economically depressed people. The Rochdale Pioneers, a group of weavers of Rochdale, England, organized in 1844 because of low wages and unemployment. It is from these weavers that we got most of our present-day principles for successful cooperative management. These pioneers were the disadvantaged of their day.

The main leaders of the early cooperatives in the United States were the National Grange, Farmers Union, Farm Bureau Federation, and Equity. Low prices, wide marketing margins, and excessive freight rates were among the most direct reasons for the formation of these organizations. These early U. S. cooperatives, too, grew out of the needs of disadvantaged people.

Cooperative development in the United States has been chiefly among farmers. Many reasons cause farmers to set up their own marketing agencies, such as those just given -- low return for their products, wide marketing margins, inadequate services, and, in some instances, unfair treatment in the market place.

A basic reason, however, is the small-scale production on most farms.

These conditions furnish the underlying motives for the organization of marketing cooperatives in order to provide mass distribution for the non-integrated, small production units.

# OBJECTIVES AND BENEFITS OF COOPERATIVES

The immediate purpose of a marketing cooperative is to obtain for its members the highest price for their products; the immediate purpose of a purchasing cooperative is to obtain for its members the lowest price for goods they buy; the immediate purpose of a service cooperative is to provide services for its members at least cost. The ultimate objective of all cooperatives is to raise the level of living of its members. This is the ultimate objective of the disadvantaged people.

The cooperative may achieve these objectives in three ways: (1) Obtain a better price than could be obtained as individuals, (2) obtain the same price but have a lower marketing cost so that the net price received by the members will still be higher than paid by other businesses, and (3) a combination of these two.

Even though there may be times when the cooperative may provide no better returns than the members could get by selling individually, the very existence of the cooperative may still be of benefit. This is because the cooperative may force other firms to operate more efficiently, give better service, and pay higher prices.

A cooperative may increase the economic security of the member and his disadvantaged neighbors. It can offer an assured outlet so that, when demand is poor, he will not find himself simply cut off from his accustomed market or services. The impact of a decreased demand will be shared equitably between himself and the other members and the community.

# THE GREATEST WEALTH

The cooperative can also assist the disadvantaged by helping communities to change attitudes toward those who are depressed economically.

Cooperatives may achieve significant economies and improve the economic position of small-scale producers and consumers by horizontal and vertical integration. Many small-scale producers who could not perform certain marketing and purchasing activities efficiently on an individual basis have been brought together by cooperatives, to obtain the advantage of size.

### HELPING THE DISADVANTAGED

I would like to quote the following to illustrate this point, "When I share my money and material things with my brother, it divides and I have less while he has more.

"When I cooperate with my brother and we purchase or produce something to satisfy the needs of each of us better than either of us could do alone, we are also both enriched materially. This is how cooperatives increase our real income.

"When I give an idea to my brother, he is enriched and I have just as much as I had before.

"When we share ideas, they multiply and we both have more.

"But, when I have a good feeling toward my brother it is I who am enriched as well as my brother, and we are enriched most when we have good feelings toward one another, particularly if that mutual good feeling results in a sharing of ideas and in cooperation for mutual benefit -- thus social as well as economic value is created."

This is a contribution that the cooperative through its attitudes can make to the disadvantaged people.

If we tried to get a one sentence definition for cooperation, it would probably run something like this: Cooperation seeks to perfect a system of bringing many individuals together in a business organization whereby they can better perform their economic pursuits and at the same time retain the same personal interest they had when working individually.

In our age and scientific advancement there is great need for such a system, especially among those who find themselves at a disadvantage when they have to compete with others of different ideas and beliefs, and with large-scale production. It is very hard to get the disadvantaged people to realize this, as they usually string along thinking that they are best off working independently, and that every man so working has the chance to make a fortune. The latter is sometimes possibly true. However, it most certainly is not expedient for every individual to base his economic pursuit on this hypothesis.

Cooperatives could assist in setting up educational and administrative media to show to the disadvantaged people the true meaning of people cooperating together to solve mutual problems.

While the primary objective of a cooperative is to improve the incomes of its members, it also functions to enrich the social phase of the life of the community in which it operates. Cooperatives should promote a better understanding among all the members of a community, uniting them in support of educational, religious, and civic agencies generally. The membership meetings foster an improved community life, and the whole movement has in it the potentialities for the development of good citizens on a large scale.

Experience gained in cooperatives warns us that cooperation is not a panacea for all of the ills of the disadvantaged. While there is much of inherent promise in the movement, it must operate on sound business principles and it must be subject to human attitudes, prejudices, and passions, as well as loyalty and intelligent support.

Leaders in the cooperative movement today are stressing such factors as capital, efficient operations, and management. Cooperatives can assist the disadvantaged people in guidance along these lines.

Here they stand -- and may they help themselves. Such are my thoughts

of the disadvantaged people looking for leadership from our cooperatives. A good leader in the cooperative movement must have a desire to be productive for all of the people. To be cooperatively productive is the essence of all of our efforts.

This is probably the only torch that stays lit, when everything goes wrong and defeat and despair bang on our doors. The disadvantaged people are looking for leaders in the existing cooperatives for this type of cooperation.



Standing is the chairman of the Seminar on How Cooperatives Help Develop Stronger Communities -- A. T. Mace, now Deputy Administrator, Rural Community Development Service (at that time director of the Office of Rural Areas Development, ORAD). Seated from left are the panel members -- Thomas L. Delton, ORAD field representative from Fort Valley, Ga.; J. E. Smith, Manager, Mecklenburg Electric Cooperative, Chase City, Va.; Charles Packard, President, Cove Apple Packers Cooperative, Martinsburg, Pa.; and E. E. Slettom, Executive Secretary, Minnesota Association of Cooperatives, St. Paul, Minn.

SEMINAR IV -- What Cooperatives Contribute to the Consumer

Chairman -- Irene H. Wolgamot, Assistant to the Director Consumer and Food Economics Research Division Agricultural Research Service

What Cooperatives Contribute to the Consumer

by George L. Mehren Assistant Secretary of Agriculture

The days of agricultural abundance have been with us so long that we take them for granted. The prices we pay for this abundance, in spite of what we may say after a trip to the store, are relatively low when placed against two measuring sticks -- the percentage of our incomes we spend for food compared to earlier years and compared to the ratio in other countries.

Cooperatives have had a very real part in helping bring the food and fiber miracle to America. They have many stirring stories of outstanding success to tell.

What we will examine here, however, is how these various types of cooperatives are benefiting consumers today. We plan then to explore briefly how cooperatives can continue to give efficient and equitable service to both producer and consumer in tomorrow's vast industrial complexity.

We will examine what first surfaces to mind -- the more obvious contributions of cooperatives, and then probe deeper for the submerged or hidden values not so apparent at first glance.

These explorations will venture a way into the future -- seeking out operating concepts by which cooperatives can continue to benefit the entire economy.

### FIVE CLEARLY VISIBLE VALUES

I see five main contributions cooperatives make. These are: Providing quality products, giving service to consumers, offering new products and processes, holding down production and marketing costs, and improving the welfare.

# 1. PROVIDING QUALITY PRODUCTS

I come from a State where producers early learned to use cooperatives wisely, to forge a stronger link for themselves in the marketing chain. At the same time these producers had the foresight from the very beginning to

realize that their cooperatives could be effective only if the consumer wanted their products.

California has a history of building markets for quality products through effective merchandising and advertising. The fact that the State leads the Nation in dollar volume handled by cooperatives attests to their success.

I speak of this only to give you one foretaste of what cooperatives have meant to consumers to illustrate the first point on quality foods.

For the magic passport to reach consumers has the word quality stamped all over it. Many cooperative products bear this stamp and this makes their journey from producer to consumer easier.

To earn this quality passport requires intensive cultivation and care every step of the way -- from seed to tillage, from harvest to handling and processing, from shipment to consumer outlet.

Certainly cooperatives have the structure and mechanism to opt for quality.

For together in a cooperative, producers can afford to hire trained and qualified people to help them find the best seed, to keep up with the best field practices and to bring these to their individual farms, and to time their harvest.

Together in a cooperative, producers can afford equipment, facilities, and manpower near their fields that keep the product up to the quality standard it had when it left them.

Together, producers can employ talents and skills to build good brands.

We have hundreds of examples where cooperatives are doing just these things and have filled a showcase of quality products for the American housewife.

Let's go down the roster of some of these. In dairy -- Land O'Lakes, Challenge, Darigold, and Dairylea come quickly to mind. In fruits -- Sunkist, Sunsweet, Sealdsweet, Skookum, Welch, and Ocean Spray. In poultry and meat -- Rockingham, Norbest, Gold Kist, and Tend-R-Leen. And to name a few others -- Diamond walnuts, Sun-Maid raisins, Riceland rice, and Sioux Bee honey.

The specifics on how cooperatives earn their quality passport involve many things.

For more than 40 years Naturipe Berry Growers, San Jose, Calif., has searched for improved strawberry varieties and better handling methods. It led in establishing uniform standards and early started precooling the berries to maintain quality.

Plains Cotton Cooperative Association, Lubbock, Tex., tests producers' cotton to measure staple length and ability to take and retain dyes. It has

also developed techniques to classify for fineness and color. These tests assure buyers what they are getting and also help growers determine the type and variety of cotton they should produce to meet the consumer demand.

A number of Midwest grain cooperatives now have laboratories where they mill the grain into flour and bake products from it. They then give millers and other buyers guarantees on how well the cooperatives' wheat will perform in milling and baking. And as with the cotton testing laboratories, the grain cooperatives can help their growers change varieties or practices to get the quality of wheat that buyers want.

California Canners and Growers Association, San Francisco, screens growers before they can become members on several counts -- and among the requirements is whether they produce a good quality product.

Fieldmen of the National Grape Cooperative Association, Westfield, N.Y., owner of the Welch Company, test the grapes in the field for proper ripeness and tell the grower when they should be picked to assure the best quality.

The cooperative drive for quality reaches back to the farm in other ways. Many farm supply cooperatives have set up demonstration, research, and testing farms. Here they test feeds in order to get the best gains and meats from livestock and poultry.

They keep in close touch with experiment station and other research to find the best seeds and tillage practices or other improved production ideas. They then act as conveyors of these production ideas direct to producers — with a better quality product resulting on the farm.

Cooperatives thus help get research results into use more quickly by the direct advice of skilled fieldmen and by telling members about them through their publications and in meetings.

Cooperatives also help consumers identify quality produce. Muscatine Island Truck Growers Association, Fruitland, Iowa, approves use of a guaranteed quality label on potato bags as an imprint and as a small seal on individual cantaloupes. The association cooperated with the Iowa State Horticultural Society and the Iowa Agricultural Marketing Division in developing this label. Only members who pack a U.S. No. 1 grade or better have approval to use the label.

Many cooperatives have helped the U.S. Department of Agriculture in its grading and standardization programs -- all part of the quality approach. Norbest Turkey Growers Association, Salt Lake City, was the first commercial firm to adapt U.S. grades and standards for dressed turkeys.

In 1960 Turtle Lake (Wis.) Cooperative Creamery Association became the first dairy manufacturing concern in the United States to receive a permit to label its dried skim milk products as strictly Grade A quality. Since many larger markets now specify that cottage cheese be produced only from Grade A milk, the Turtle Lake group and several other cooperatives specialize in making a powder that meets the most stringent requirements of these markets and provides consumers with high quality products.

Lake to Lake Dairy Cooperative, Manitowoc, Wis., also was the first firm to be authorized by USDA to label consumer packages of cheese with its U.S. Grade AA shield.

## 2. GIVING SERVICE TO CONSUMERS

Many cooperatives have been alert to the new demands of their customers for convenience foods, for good packaging, for good merchandising.

Rockingham Poultry Cooperative, Broadway, Va., was an early leader in marketing cut-up and prepackaged poultry, all ready for the pan.

Cotton Producers Association, Atlanta, Ga., is now market testing breaded broiler pieces, first selling them to a restaurant chain. It will also have precooked broilers in many forms ready for test marketing soon.

Some cooperatives conduct dealer and consumer education programs on proper care and handling and better ways to use their products.

A number of them have test kitchens where they develop recipes and pass them on, both as a consumer service and as a merchandising device to sell more of their product.

Cooperatives have been a part of our vast food producing machine that has rolled out year after year the great abundance of food — an abundance always there and waiting for the consumer. Producers have been able to build good storage and holding facilities through their cooperatives and move the food into the market as it can be absorbed. This stabilizes the supply over longer periods of time.

Cooperatives developed the system of classified pricing used successfully in Federal milk marketing orders for several years. About five out of six farmers under the Federal orders belong to cooperatives. Thus cooperatives have helped promote and maintain orderly milk marketing -- giving us good milk in abundance.

Other marketing agreements and orders -- administered by USDA -- are often initiated by cooperatives, and their development and success in fruits, vegetables, and a few other products depend to a large extent on this leadership by cooperatives. The Government administers programs so the agreements and orders are applied uniformly and equitably and thus in the public interest.

These orders bring market stability and known quality, shift low quality to byproduct use, and provide a stable supply of products.

A number of successful producer groups have learned the appeal of a good package to the consumer -- both from the design standpoint and from the protection it offers. Sunsweet Growers, San Jose, Calif., with its foil pack for prunes, is one example.

Cooperatives are increasingly recognizing the need to process food in forms convenient for ready use. Some of them make potato chips and frozen french fries, as one example.

#### 3. OFFERING NEW PRODUCTS AND PROCESSES

Many of the new products appearing on our grocers' shelves bear the cooperative signature -- another reflection of cooperatives' wish to whet the consumer's appetite with their products.

Tree Top, Inc., of Cashmere, Wash., was the first company to produce, on a commercial scale, a frozen apple juice concentrate USDA research had developed. The cooperative now has on the market an exciting new product that tastes like fresh crisp apples.

National Grape Cooperative Association, Westfield, N.Y., has developed many new products since producers became owners of the Welch brand. Latest is a new apple-grape drink it is test marketing. Incidentally, this is one company that disproved a generalization sometimes made about cooperatives — that producers would not continue to finance an active research program for new products and an aggressive merchandising and selling campaign. Actually, the growers have intensified both and have seen sales climbs for their products.

Ocean Spray Cranberries, East Hanson, Mass., is another cooperative that has built a good market for its products by merchandising for consumers' needs — and developing new products for their tastes.

Sun-Maid Raisin Growers of California, Fresno -- with its 3,000 grower members -- was responsible for much of the early work in developing machinery for cleaning and destemming raisins as they come from the grower's trays.

Golden Delicious apples popularity came in large part because a north-west cooperative, Skookum Growers, Wenatchee, Wash., worked to breed better varieties, and find better handling and holding procedures for this delicate apple. It then proceeded to merchandise the apple vigorously.

### 4. HOLDING DOWN PRODUCTION AND MARKETING COSTS

Marketing efficiencies and lowered production costs on the farm -- both brought about in many areas by cooperatives -- mean benefits to consumers. For certainly without these our food bills would run higher -- unless the producer and other handlers absorb higher costs resulting from inefficiencies in marketing and higher farm production costs.

Right here I'd like to point to the contributions of the Farm Credit System in holding down the cost of credit to producers as most important —both to the producers and the consumers. Without credit at a rate and of a type geared to farming needs, today's agriculture would not have made the great leap into abundance that it has.

Likewise, the rural electric cooperatives have been immensely useful in bringing the needed power for a great deal of today's farm equipment at a cost rural areas could afford. Imagine the costs of hand labor and the lowered production without electricity on the farm.

Farm supply cooperatives have also made great contributions in this area

of holding down costs. To cite two examples: One large supply cooperative has saved over \$160 million for its farmer members in four decades. Members of a citrus cooperative say they cut their fertilizer costs a third by owning their own fertilizer plant.

Cooperatives are also now intensively working at direct line distribution -- another way of reducing costs of labor and facilities, and quickening the pace of movement from factory to farm.

By eliminating transfer of ownership at some of the stages in marketing, cooperatives also hold down some of these costs. And many of them can also report excellent results in holding down marketing and processing costs all along the line...with subsequent good results for the consumer.

### 5. IMPROVING GENERAL WELFARE

This rather broad term, improving general welfare, encompasses such points as these:

- a. An estimate by Farmer Cooperative Service shows net savings of cooperatives providing marketing, supply, credit, electric, and insurance services accounting for about 20 percent of the net income realized by member-patrons -- which is added money for these members to spend.
- b. Cooperatives are good customers of many other businesses -- consumers of other consumer goods and services, in other words. As one example, a USDA study showed about 600 cooperatives spent \$25 million in advertising in a recent year. The rural electric cooperative system has opened up a \$15 billion market for appliances since its beginning. Cooperatives buy land, buildings, machinery, packaging supplies, trucks, gasoline, farm supply needs, and other similar items. They pay for transportation, phones, lights, and water.
- c. Cooperatives have substantial payrolls -- with these employees buying consumer goods. Marketing, supply, credit, and electric cooperatives have about 200,000 employees on their payrolls now -- and it is estimated this may mean as much as \$1 billion a year in wages.
- d. And cooperatives increase the economic literacy of rural people as well as their general knowledge and leadership qualities.

All of these add up to benefits to the country at large on the basis of a better all-round citizenry.

These then are five cooperative contributions to consumers that are clearly visible -- providing quality products, giving service to consumers, offering new products and processes, holding down production and marketing costs, and improving general welfare.

## VALUE OF COOPERATIVES IN NEW MARKETING WORLD

Other contributions by cooperatives, submerged or hidden at first glance, can become even more important in the days ahead. Even when brought out for

attention, however, these often provoke differing opinions as to their value to consumers.

MARKETING WORLD TODAY.--Before I pinpoint these more or less hidden values, let's reconstruct this new marketing world in which we live.

Many of us remember the days when farmers peddled their farm-fresh produce -- that the family didn't eat -- from door to door in town, or sold it to the local storekeeper who again sold it in the town.

More of us remember the days when farmers raised their own production supplies -- the feed, seed, and the horse or mule power to raise their crops.

Some of us look back on this nostalgically as a vintage time.

Certainly those were the days of farm self-sufficiency. But we have moved far from that, as all of us know. The farmer must now buy and sell thousands of dollars worth of products and supplies each year. Since they find problems in going it alone, most farmers turn to cooperatives for help in getting marketing, supplies, or other services they need.

The point I'm leading up to here is one that J. K. Stern, President of the American Institute of Cooperation, has been reiterating -- that through cooperatives farmers are simply taking back some of the jobs they had turned over to others.

To retake these functions, producers are finding it increasingly necessary to combine their volumes and resources in many areas in the face of the almost totally new complex of supply, processing, and distribution industries.

Instead of half a million small retail stores we now have, in some respects at least, a basically different retailing and wholesaling food system. A comparatively few buyers call for uniform products oriented to consumer demand and mass handling and geared to specified delivery terms. No longer do we depend exclusively upon price or a series of open assembly markets to make the system work.

Some 3 million producers thus find themselves buying and selling in a small marketing universe composed of only a few handlers demanding large volumes. The new system also often telescopes various stages of marketing and in some cases bypasses older market channels through arrangements such as integration or close coordination.

So the problem for all of us -- producer, consumer, and Government of-ficial -- is how to couple a highly organized and demanding mass distribution system, designed to meet the needs of customers with money to spend and tastes that demand the best, with a farm production system often scattered, unorganized, and independent.

This new system with all its efficiencies has sounded warning bells to many people, has opened up questions as to the future course of the whole of agriculture.

For this reason we now have a National Commission on Food Marketing studying the changes in our food economy, and seeking solutions that will continue benefits of the new marketing system while retaining our system of family farming and other values inherent in the older system.

Some consumers may not see the necessity for such a study, looking only at their personal short-run gains. But if agriculture itself moves into the direct or indirect control of only a few hands, consumers may find themselves suffering also in the long run. For if competition falters, prices often rise. Thus consumers could find themselves on the short end of the stick if our family-farm type of agriculture disappears.

This leads me then to this fact -- that cooperatives are certainly one of our brightest hopes to help farmers join together to gather enough strength to compete under the new system and at the same time keep their age-old right to till their own soil.

EFFECT OF CHANGES ON CONSUMERS. -- To be ready for the changing business tides, cooperatives themselves are of course changing and will need to change even more.

Our focal points for discussion here today will be -- what will these foreseeable changes mean to the consumer?

I posed several questions to people knowledgeable in cooperatives and economics to get their ideas along this line -- and to get their opinions on new values of cooperatives in the new environments. If different opinions make a horse race, we have a photo finish with some of these questions.

I'm going to now briefly open up these questions and discussions on them -- for exploratory purposes only. I hope we will go into them more in depth in the discussion period.

1. Among the impelling needs for farmers and their cooperatives in these times is increased bargaining power. So the first question was -- will increased bargaining power for farmers mean higher prices to consumers?

Several people pointed out that increased bargaining power means more than bargaining for higher prices, that it means more orderly marketing and market stability, both of these with ultimate benefits to consumers as well as farmers.

Another comment was that the cost of farm products is often only a small part of the total cost of an item to the consumer; hence any rise to the farmer would have a relatively small effect on the consumer price. And that if prices get too high on one food item, customers have such a wide range of choices that they can turn to another food, thus bringing the price back down.

Several made the point that increased bargaining power of farmers would interject a countervailing force, a sort of watchdog on any excessive margins being taken by other handlers of food products.

Some suggested that increased efficiency resulting from strengthening

cooperative operations could give the farmer added income without increasing consumer costs.

One or two felt that such added bargaining power could increase prices to consumers.

2. The second point up for discussion was on the effect upon consumers of merger and integration by cooperatives.

Most of those questioned felt the consumer stands to gain whenever cooperatives merge or integrate successfully because this can bring more efficiency in production and in processing and marketing and better food and fiber to the consumer.

So long as the market remains truly competitive, one person pointed out, the reduced operating costs will in some degree be passed on to the consumer as well as retained in part by the farmer.

In addition, by transferring the ownership of the product fewer times or by having fewer stages of handling, costs can be reduced.

In my opinion, some mergers can result in savings by eliminating duplicated efforts and overlapping facilities and still not affect competition adversely. It is a question of fact. If competition is strengthened, efficiencies would also be of benefit to consumers as well as farmers. I recall examples of how merger of dairy cooperatives in Wisconsin saved a quarter of million dollars the first year, and a Texas-Oklahoma cooperative consolidation resulted in half a million dollar savings annually.

A study a few years back in Wisconsin showed that recommended mergers there could increase farmer income by 25 to 30 percent without a cent of increase to the consumer.

One person commented that the combined cooperative resulting from merger could provide more effective competition to other firms as another benefit to consumers.

I'd like to add here that one of the major challenges to cooperatives as I see it is to really integrate procurement at the farm level and to coordinate this function with farm production and merchandising.

Certainly other types of business have long been using integration and merger for greater efficiencies. Many of our largest firms produce their own raw materials, process or manufacture this raw product, and then merchandise directly to the consumer. Yet, the farmer and his cooperative are often subject to criticism when they attempt the same thing in the agricultural business. And, in fact, they must not ever be given status adverse to the general interest, nor do they need such status in order to cooperate.

3. Responses to a third question indicated cooperatives can help adjust supply to demand in varying degrees and with only certain products.

Use of contracts allows cooperatives to establish some volume control of products they take from members, and thus affect what they produce. However,

beef, cattle, dairy, grain, and other farm products cover such wide areas of the country that no one cooperative can greatly influence supply.

It was suggested that cooperatives do have a direct pipeline to their members through fieldmen, meetings, and publications, and can influence production decisions through educational programs.

I remember instances where cooperatives have helped growers move out of a crop in burdensome supply at low prices. They do this in several ways —by providing markets for a new crop, by extending credit to growers so they can make the shift in their farm enterprise, and by general educational work.

One large cooperative that still bears cotton in its name in reality no longer handles cotton as its major item. Rather it handles a wide variety of products and supplies as a result of a determined and successful effort to educate its members away from their former dependency on one crop, cotton.

4. Another question raised was what the effect on consumers would be when cooperatives inject greater competition into the market.

Those who thought cooperatives helped consumers suggested that larger volume operations, both in marketing and purchasing, brought lower per unit handling costs; that one cooperative's competition helped upgrade services and lower costs to all farmers within its area, not just to its members; and that the cooperative philosophy of operating at as low a cost as possible was also of value to consumers. In addition, when cooperatives enter an industry where there have been excess profits, they tend to improve the competitiveness of the industry, and this in turn also benefits the consumer.

Other points to consider here would be whether the size of many of the cooperatives is sufficient to bring effective competition with some of our big national businesses, and whether any gains resulting from such competition would be passed on to the consumer or retained by members.

We often hear that consumers and producers stand at opposite ends of the marketing pole and that both resist pressure from the other so one can sell as high as possible and the other can buy as low as possible.

We must, of course, accept the fact that there will always be some degree of healthy conflict of interest between the two groups in the short run, but their long-run interests are not hostile.

How then do we best coordinate these interests?

Consensus here was that the wise farmer or cooperative doesn't put too high a price on a product or no one will buy; and the wise consumer considers quality along with price. It was suggested that greater effort needed to be made to alert the consumer to the fact that most of the increases in food prices in recent years have not been the result of rising costs of farm products.

5. The last question was -- what can we all do to get greater understanding of the role of cooperatives and their effective contributions to consumers as well as to rural areas?

Suggestions included strong public relations programs, more widespread recognition of cooperative brands, effective educational programs in schools and with consumer groups.

For those of us here in the Department of Agriculture, one suggestion was that we conduct more research studies to pinpoint consumer benefits; that we issue consumer bulletins that in some cases show cooperative contributions; that Extension specialists working with consumer groups be given background material to tell the story, and that we all hit this point harder in our talks and writings.

Cooperatives have come a long way. You have heard and seen much of their progress during the past 2 weeks.

But the pathway to the future has many pitfalls, many barriers to pass, and the ways for cooperatives to take are many.

In closing, then, I'd like to pose these final questions:

Are cooperatives reacting quickly enough, moving fast enough to be responsive to consumer needs?

Do they have adequate capital or credit to do the job consumers demand?

I raise these questions not with a sense of negativism. Rather I raise them to be realistic and to stimulate ideas for solutions.

Cooperatives have a long history of surmounting odds, of tapping new fields, of achieving high goals, of striving for greater things. Can they build from this strong past for a yet more promising future? I think they can.

This is a wide country and there is bright opportunity for many kinds of business. And there is a role for good cooperatives to play in the interest of us all.

SEMINAR V -- The Role of Cooperatives in Promoting International Understanding and Improved Standards of Living

Chairman -- Matthew Drosdoff, Administrator,
International Agricultural Development Service

How Cooperatives Help Develop International Understanding by Stanley Dreyer, Assistant Executive Director The Cooperative League of the USA, Chicago, Illinois

People have within their own hands the tools to fashion their own destiny." So spoke Murray Lincoln in describing the belief in mankind which helped to establish CARE (The Cooperative for American Remittances Everywhere). This in essence is the role of cooperatives in promoting international understanding and improved standards of living.

The world is on the move. Mankind is given promises from every side, both economic and political, religious and social. Two-thirds of the world's people are sick, hungry, and more concerned about human survival than they can be about world affairs and international understanding. Such people grasp for straws of hope and relief to loosen the bonds that burden them. In some instances they have been given so many promises that they are suspicious of what might be one of their major hopes for improvement; namely, using that which is within themselves through cooperative mutual self-help effort.

The overriding aim of all mankind is maintaining world peace in order that the dignity of man, preservation of his family, and improvement in his social and economic status may someday be achieved.

## INFLUENCE OF COOPERATIVE CONCEPT

As people involved in cooperatives, you are among the most fortunate people in the world. You are stewards of a concept the world is seeking-the concept which offers the middle way between the exploitative entrepreneurs of the past and powerful statism.

You are further fortunate because you can do something about it by sharing these cooperative techniques, ideas, and concepts of helping people help themselves. The time has never been more perfect. Much of what we are currently able to accomplish and the reception we receive are due to the fact that someone has gone before -- someone has developed in the minds of those with whom we work a sense of trust, a feeling of our sincerity, and an

acquaintanceship and respect for the U.S. cooperative movement.

But the people who sensed the responsibility and opportunity which is now ours were few. Some of them could be found in the U.S. Department of Agriculture and Agency for International Development. Much of the initial starting-up time, which has been done for us in Latin America, was the work of a fellow member of this panel, Fernando Chaves, Chief, Program of Cooperatives, Pan American Union.

Perhaps no other person in the United States has greater sensitivity, longer experience, or made greater effort in this regard on the part of cooperators around the world than has Jerry Voorhis, Executive Director of the League. He best put our subject in focus for us at the American Institute of Cooperation meeting this summer when in speaking of the contribution which cooperatives make to grassroots peace, he said, "I believe that once people have experienced successful cooperative action with fellow human beings, they feel a rather deep common bond with others in other countries who have had the same experience.

"Cooperatives," he said, "are one of the best hopes of the world, which could be achieved."

In countries where people are fighting their way out of poverty and sometimes oppression, "cooperatives" and the word "cooperation" are good, strong, meaningful words -- words that become rallying points for people who want to be economically free and at the same time raise their standards of living.

# CONTRIBUTIONS OF COOPERATIVES

Cooperative institutions are helping people to develop their own local leadership.

Cooperatives are proving grounds for membership to practice democracy at a level where it can be seen to function on an understandable scale of personal relationships and participation.

Cooperatives are leading examples of institutions making a significant contribution to social development and economic stability.

David Bell, Administrator, Agency for International Development, has stated that the "cooperative type of private initiative and action is one of the most effective and promising devices to allow people in less developed countries to do something for themselves without having to be overly supervised, controlled, or dominated by government."

Examples of the effectiveness of cooperatives contributing to the welfare of people and the well-being of the world have been such that great hopes are being held by U.S. cooperative groups that something can be achieved to significantly improve conditions around the world. These examples have not come about overnight.

--By organizing credit and marketing cooperatives in India, farmers in

one group of villages were able to increase their agricultural production of basic crops 15 percent a year in addition to considerable savings on interest.

--In Viet Nam, where a significant cooperative and education training program had been conducted, an estimated 200,000 Vietnamese farm families will be able to increase pig production on a self-sustaining basis through temporary use of PL 480 funds.

--Just last year a cooperative representative in Brazil was able to help farmers realize a 700 percent increase in the price they received for rice through the formation of a marketing cooperative.

--Credit unions have not only developed mutual trust in groups of people in over 70 countries of the world, but have initiated plans for savings, which are basic to economic growth of any society.

In cooperatives, people do find a common bond to solve problems, satisfy needs, and overcome exploitation. The motivation behind cooperatives is not for profit, nor charity, but self help. We believe in stimulating the desire that people can do things for themselves and can more adequately and peacefully express themselves through economic unity than when they stand alone.

There are probably no cultures in the world where people do not work together in groups of some sort. This generally enchances the more formal group relationship found in organizing a cooperative. Cooperatives offer no conflicts to the support of general cultural patterns around the world -- namely family, community, and the like. If people work together cooperatively, they need the motivation of realized common interest. It is our job as cooperators to find this out and initiate progress toward solutions to peoples' problems and needs. The demonstration or pilot project technique is a highly desirable method of stimulating action.

Demonstrations must take place in the environment of the people and their neighbors. They must see the transition and must adapt it to the culture. This is the reason why the Comilla project in Pakistan is so dynamic as a demonstration tool for training. Here people weekly come to the Comilla center, learn of techniques, discuss their adaptation to local conditions, and return home to apply the principles they themselves develop. People must see practical advantages where no outside justification is called upon and where the practical benefits can be adapted to society with indigenous leadership. Understanding is based on trust and knowledge, not fear and suspicion.

## NEED FOR COOPERATIVE KNOWLEDGE

Understanding has to be achieved. It must be learned, experienced, and maintained. The people on whom we rely for communication of such understanding are those who, of course, are in closest contact -- the cooperative leader, writer, and most specifically, the technician in the field.

The cooperative technician must be able to gain the confidence of the people, communicate, be flexible, progressive, and creative. He must have respect for the culture and sensitivity of people, experience a human

concern, and have a common aim, purpose, and goal with those with whom he works. He must of course be able to gain rapport, and whenever practical be able to walk "in the other man's shoes," and experience the same things as the host people. These are some of the reasons perhaps why the Peace Corps is so effective in its work. And yes, he must be qualified as a cooperative technician. He can perhaps best play the role of a catalyst.

When this rapport has been established -- the spirit which joins us will become evident as cooperators. I know of no other organization, organized by Latin Americans, which has in its name expressed this feeling of oneness as well as has the Organization of the Cooperatives of America. It is of America, not of the Americas. I well remember discussions in Montevideo, Uruguay, where Latin Americans reiterated, "If we are cooperators, we are one. Why divide us by referring to the land masses which define our location?"

## PRECAUTIONS TO OBSERVE

If then, there is such a desire on the part of peoples around the world for cooperative know-how, and there is a growing partnership between cooperatives and Government in the United States to assist in sharing this know-how, what precautions should we consider in making this development realize its greatest potential?

It is becoming relatively apparent that there now exists an insufficient cadre of qualified, experienced personnel **to** serve overseas in this field. This commands us to set our sights on program planning, not simply on developing projects. Coordination of such planning is also a necessary objective.

Every study made by experienced, knowledgeable cooperators calls for the need of cooperative education and information. This is basic to sound self-help development, will make best use of personnel available, assures getting more cooperatives off to the right start from the beginning, and enables cooperative technicians to fade out of the picture as indigenous leadership develops.

We are dealing with practical concepts, people, and their problems. True cooperators will not breed suspicion of others -- they will not promote the idea that theirs is the only true type of cooperative. We are in host countries by invitation. In the responsibility before us, there is not time to be divisive, to build empires, and to set people against people to the detriment of their own mutual progress.

Multi-purpose cooperatives are to be encouraged but not to the exclusion or for the purpose of downgrading other cooperative endeavor. We should attempt on every side to build, not destroy the people's justified hopes, their dignity, standard of living, and culture.

U.S. cooperatives are helping and can further help to promote international understanding and improved standards of living in the world.

The opportunity and challenge are ours. The rewards will not only be personally satisfying -- they will promote economic democracy, and hopefully

make a significant contribution to the peace of the world, without which all efforts in this day and age are fruitless.

Yes, people do have within their own hands the tools to fashion their own destiny. May we in all sincerity and with understanding help them to achieve it.

Potentials for Cooperative Development In Emerging Nations

by John H. Heckman, Cooperative Consultant Arlington, Virginia

The potentials for cooperatives are great in all countries. In this age of larger economic units, cooperatives everywhere may be said to be the last frontier of the small businessman, farmer, artisan, craftsman -- all.

The potentials, however, are greater in developing nations than in others. In fact, many of the special benefits of cooperatives available to developing nations helped farmers in the United States as they passed through the same phases of the development cycle.

In addition to the conventional economic benefits, four special helps may be obtained from cooperatives in emerging areas. These are: (1) Assistance in implementing democracy; (2) aid in developing leadership; (3) a stimulant to the pride of ownership; and (4) a stabilizer to ethics and trade practices.

#### IMPLEMENT DEMOCRACY

Building stable democracies is a laudable goal of developing nations. However, democratic stablization is not won by arguing ideologies. Rather it is gained through basic understanding and practice. The principles of democracy are the same, whether social, economic, or political.

Therefore, the experience gained as a member or leader of a cooperative can be directly applied to his responsibility as a citizen. Sustained by this experience, he will depend on the ballot and other democratic processes rather than on revolutions or coups. Thus, cooperatives are prime training grounds in basic democracy.

#### DEVELOP LEADERSHIP

The give and take of democratic processes are prime stimulants to leadership. More important still, they distribute this leadership from the bottom to the top. Through these processes and from the foundations of understanding members, leaders for board and official positions are developed. As evidence, nations with strong functioning cooperatives are likely to have a depth of economic as well as political leadership. They learned

the processes in their own cooperatives.

#### STIMULATE PRIDE OF OWNERSHIP

The pride of ownership almost works wonders. There is no substitute for it as a motivating device. "My family," "my country," "my school," "my farm," or "my cattle" can almost work miracles. In our day-to-day life, in this country, we are prone to take these possessions for granted. It is important to add "my cooperative" to this list but most of us have many other possessions without it.

This is not the case in many developing nations. In those countries there are few things around which the landless peasant or the part-time worker can build the bonds of ownership and obtain their inspiring benefits. The cooperative provides a vehicle to fill this need. Feeling that this is "my cooperative" anchors him to something tangible and has a stabilizing influence on him as a citizen.

## PROVIDE LEGAL AND ETHICAL BENEFITS

The people of developing countries, generally, do not have the benefit of protective laws and effective competition that are enjoyed by the farmers of this country. In fact, they were not always enjoyed by our farmers. As a result, some of our most successful cooperatives had their beginnings by providing dependable seed, feed, and other supplies, and marketing services.

As the economic pressure is greater in developing countries, the cooperatives have greater opportunity for providing these benefits than existed in this country. Cooperatives in developing countries are beginning to fill this gap. However, the potential for further service is great.

These four benefits of cooperatives in developing countries add to the conventional potentials of providing needed and adapted goods and services to their patrons at cost.

Development of Cooperatives as Policy In the Foreign Assistance Program

by Frank M. Sahlman, Sr., Director International Cooperative Development Service Office of Material Resources Agency for International Development

David E. Bell, the Administrator of the Agency for International Development (AID), yesterday told how cooperatives in the United States, working with AID, are helping to contribute to a better international understanding of our people and country, and making a contribution, too, to the hopes for world peace.

While there may have been a passing recognition of cooperatives, there was little positive action until the Humphrey Amendment to the Foreign Assistance Act of 1961 gave cooperatives a sort of Magna Charta, a bill of rights, and spelled out to people who are responsible for carrying out our foreign assistance programs the importance of including cooperatives as a part of the free enterprise, self-help approach to economic development.

We have come a long way in 3 years.

We are achieving results. We will be achieving a great many more.

#### WORK OF USDA AND AID

I believe that it would be remiss when we are talking about AID and cooperatives not to salute the work of USDA which pioneered a pattern at home and then helped to move it abroad. The contributions that the USDA and the men and women who got their training in the Department continue to make to the cooperative effort of AID are tremendous.

The Department began its first formal study on cotton marketing through cooperatives in 1912. In 1926, Congress authorized the Department to form a Division of Cooperative Marketing to work especially with cooperatives. The Division studied ways for farmers to operate their cooperatives more efficiently and advised farmers, directors, and employees how to improve cooperatives in all their aspects.

A parallel approach has come about in AID.

Throughout the period of technical assistance, cooperatives have been used as a tool for economic development and given encouragement. However, as in agriculture it was some years after this informal encouragement began until it became a part of official policy.

Actually the great contribution which was inspired by Senator Hubert Humphrey, through his amendment to the Foreign Aid Act, was to involve the cooperatives themselves in providing cooperative assistance abroad. Senator Humphrey was long on emphasizing the humanitarian qualities of cooperatives, and the great value of exporting cooperative know-how and cooperative philosophy as a product of U.S. good will.

#### COOPERATIVE RESULTS ABROAD

It is what cooperatives do -- what they are able to deliver -- what they produce -- that is the test of their effectiveness.

And on that basis we are achieving results:

- · 22,000 new homes through savings and loan associations.
- 300,000 people organized into credit unions.
- · 27,000 people trained in cooperation.

- Rural electric cooperatives in Chile, in Colombia, in Ecuador, in Nicaragua, and surveys going on in a dozen or more countries around the world.
- Assisting in setting up fishing cooperatives, in organizing marketing cooperatives.
- In developing cooperative banks with U.S. cooperatives furnishing the know-how, and drawing on the human resources of employees and members.

Incident after incident demonstrates well the wisdom of using the peculiar resources of cooperative enterprise to help a people and a country move faster along the road to economic and social improvement.

Some of the organizations working under contract helping AID in this effort include National Rural Electric Cooperative Association, National Farmers Union, Credit Union National Association, Foundation for Cooperative Housing, and the Cooperative League of the USA.

Now, under a contract system in which a definite blueprint of operation is submitted, it is generally possible to carry out operations faster, more smoothly, and more economically.

It involves encouraging private enterprise -- individual initiative, a pluralism of different kinds of economic enterprise -- that we recognize as essential in a free, democratic society.

They make possible a more direct, intimate, and person-to-person operation.

They make it possible to reach down to the people who most need help and to give them a helping hand.

They make it possible to produce results quickly.

And they demonstrate not only the direct benefits but the secondary and more distant benefits that accrue.

Let me illustrate:

In Latin America 300,000 people belong to credit unions. It is not only that these people have been taught thrift and the planning and rewards that come from it, because if that were all there were to it, the credit union efforts would be a lost drop of water in an ocean of people.

But the establishment of a credit union often is the beginning of a chain reaction as significant as atomic energy. Accumulation of local capital, establishment of a new source of credit, and cracking the usury rates and evil practices of local money lenders create a new and healthy economic climate.

Training and education that go with credit unions make each unit a potential school for democracy. It spells a sort of economic emancipation.

Take the example of the fishermen's cooperatives in Nigeria, in Panama, in Somali, and in Karachi, Pakistan, and in Vietnam. AID has assisted in creating them, in expanding their services, in modernizing them, and in moving some from dugouts to powered boats, making it possible to go farther out to sea and to bring in bigger catches. Not only that, but it has showed how to sort and grade fish, how to refrigerate, how to store, and how to market.

Certainly the fishermen benefit as producers. But also in many countries a better and steadier source of food is being distributed, at no higher, and, in some instances, at a lower cost to consumers.

The cooperatives are a contribution to the whole economy.

We could go on and on -- about education and training on the idea of individual initiative harnessed to community needs on developing a cooperative pattern, not for just one village or community, but across the land so the same economies and efficiencies of big business and giant corporations can be applied to people-owned institutions.

### DOVETAIL WITH AID GUIDELINES

Now, what I want to add is that the cooperative projects that we have underway, and those under review, fit most neatly into AID's three guidelines to help establish social and economic progress in the emerging countries.

They are these, as Mr. Bell has stated time and again:

"First, the importance of the partnership concept of foreign aid; second, the importance of social change; third, the vital significance of encouraging pluralism and private and local initiative.

"The fundamental importance of self-help or partnership is to 'enable others to do more for themselves.' To achieve this, their effort is vital.

"They must commit their energies and their resources in order to prepare to carry on when outside help is ended."

Cooperatives provide this kind of partnership. In fact without the partnership of local people, there can be no effective cooperative program.

On the second guideline, Mr. Bell has stated that "A significant gain in our thinking about how to achieve international development is the increasing frank recognition that social change is an inescapable aspect of the development process and it is the cooperatives with their development projects which help to spread power and authority and provide new groups and new people with the leverage to change their own positions and modify the structure of their own societies."

The third guideline for AID is "the value of relying upon the energy

and initiative of local and private organizations to achieve economic and social progress."

As Mr. Bell said, "The myth of the centrally planned society dies hard, however, but every successful rural cooperative, every credit union, every savings and loan association, every new small business, every free trade union, every successful farmer or home owner strikes another blow at that myth."

#### DEMOCRACY IN ACTION

Utilization of cooperatives to bring in the full impact of neglected human resources, while at the same time other programs and projects of AID are being carried on, helps leaders in the less developed countries to understand better that a pluralistic society "with millions of decision-makers can develop more rapidly and more efficiently than an economy controlled rigidly by central blueprint."

Certainly the voluntary cooperative organization, as farmers in the United States know so well, is the essence of a functioning democratic society, based on one man and one vote with the right to speak, to object, to propose open to all people.

And from the purely democratic local cooperative, we have been able to refine and extend a federation-type of operation which adds modern business efficiency so essential to cooperative survival and growth but have still preserved the democratic decision-making privileges of the people to rule and operate their own enterprises.

I would be remiss, however, if in presenting this rosy picture of continuous success I did not recognize that there are to be some failures, reverses, and tragedies, too.

That is the price we pay for progress, for experimentation, for having the courage to try new ideas and new ways.

Nothing ventured, nothing gained.

And at the same time cooperatives show that "experience is the best teacher."

#### CHALLENGES AHEAD

In closing, I would like to say that we have a 3-year record of cooperative achievement in AID of which we are proud.

But we recognize, also, that 3 years is a very, very short time in measuring gains and advances in the social and economic fields of communities and countries.

Our challenge now is: How can we find a way to draw on more of the vast resources of U.S. cooperatives as we need them?

How can we persuade those that have for one reason or another been hesitant that it is to their advantage, as well as of the whole cooperative movement, to share in this great experiment of world assistance?

How can we make sure every cooperative that is willing to participate is given an opportunity?

One way is to show that the horizons of the local community long ago were too confining for cooperative growth. Those that failed to federate and develop died.

So, today, there is need to widen the horizons of opportunity even still more, to reach out and to provide help (on a two-way basis) to other countries.

This is not a gesture of charity but one of survival.

Cooperatives cannot stand still nor confine operations along provincial lines -- without suffering the consequences.

And it would seem that this new challenge to cooperatives gives a new and broader and bigger opportunity to carry out the basic cooperative purpose of service (a service that includes understanding with economic gain and sharing with personal effort) that can be a giant step to the hopes for world peace.

One of the important tasks is to get the story of AID across to cooperatives as much as it is to get the story of cooperatives across to AID.

All of us have a stake in this because cooperatives are making a tremendous contribution to the process of international development for the betterment of people throughout the world.

Limitations of the Cooperative Movement In the Emerging Nations

by Fernando Chaves, Chief Program of Cooperatives Department of Social Affairs Pan American Union

To understand the limitations and problems of the cooperative movement in the emerging nations, we should take into account their historical and cultural background.

In this regard, Latin America is no exception. Furthermore, in many of the emerging nations, there are no true forerunners of cooperatives as formal and modern economic enterprises. In Latin America, for instance, cooperatives originally were organized as "imported" or foreign institutions. On many occasions they did not fit within the cultural pattern and within the local concept of cooperation. This is true with the Indian communities where wealth, for example, does not have the same meaning as among the people of Western culture.

Furthermore, the practices of mutual aid among those communities generally have, as a main objective, extending help in order to be helped. These practices are usually based on neighborhood and kinship relationships and do not generate innovation, and they are not carried out to accomplish a future and impersonal economic end.

The fact that cooperatives were brought from a foreign land may be considered one of the principal reasons for the slow and rather distorted development of the cooperative movement in Latin America.

According to the latest statistical data gathered by the Program of Cooperatives of the Department of Social Affairs of the Pan American Union, there are in Latin America 17,581 cooperatives with 5,671,456 members. However, Argentina and Brazil have 50.8 percent of the total number of cooperatives and 71 percent of the membership. Likewise, those two countries comprise 61.9 percent of the agricultural cooperatives and 81.7 percent of their members. It is also pertinent to point out that the cooperative movement in Brazil and Argentina has received a strong and beneficial influence from European immigrants.

At the present time, several problems hinder the solid growth of the cooperative movement in Latin America. Among others, the following could be cited:

- 1. Slow growth of the economies as compared with the explosive rate of increase of population in several countries.
  - 2. Low per capita income.
  - 3. Problem of illiteracy still prevailing in some republics.
- 4. Land tenure problems in some countries, which Governments are trying to solve through agrarian reforms.
- 5. Lack of adequate technical and financial assistance for the cooperative societies from the Governments.
- 6. Need for improvement of cooperative legislation in several countries, not only from the doctrinal and juridical point of view, but also taking into consideration that cooperatives should be operated along sound economic, financial, and administrative principles.
- 7. Cooperatives in many instances are organized in a hasty fashion, with little regard for methodology, prevailing cultural patterns, and other existing educational, social, and economic factors.
- 8. Cooperatives urgently need modern educational and audio-visual material, adapted to the interest and educational level of their members.

- 9. Cooperatives also urgently need more qualified leaders, managers, and administrative personnel, trained not only in the field of cooperatives, but also in the field of social sciences and development problems.
- 10. The cooperative movement in Latin America requires improvement in the economic structure of the primary societies, through a process of gradual integration and amalgamation.

Solving these problems will greatly facilitate the development of the cooperative movement in Latin America. In this connection much hope is placed in the Alliance for Progress. However, this movement should be aimed at creating a strong cooperative sector -- pursuing, in a democratic way, social justice, an equitable distribution of the national product, and mobilization of people in order that they may participate more intelligently and more actively in the complicated process of social change and development in the emerging nations.



Secretary Freeman is shown here with Matthew Drosdoff, Administrator, International Agricultural Development Service, (on the Secretary's right) and two of the group of 40 women from the Swedish Cooperative Womens Guild who attended the opening session. Mr. Drosdoff as chairman of the seminar on The Role of Cooperatives in Promoting International Understanding and Improved Standards of Living.

SEMINAR VI -- The Role of Cooperatives in the
New Economic Opportunity Program

Chairman -- Martin L. Sundquist, Deputy Undersecretary of Agriculture

Office of Economic Opportunity Program

by Fred Hayes, Assistant Director in Charge of Operations, Community Action Office of Economic Opportunity

In broad terms, the functions to be performed under the Economic Opportunity Act, and by the Office of Economic Opportunity as it administers it, are aimed at the human element.

We hope to develop people, a somewhat new approach to those formerly used in the problems of poverty.

We hope the program will have a catalytic and a coordinating effect.

The major programs authorized are:

- I. Youth Programs -- Job Corps, Work-Training Program, Work-Study Program.
- II. Community Action Programs.
- III. Special Programs to Combat Poverty in Rural Areas -- including loans to low-income rural families and assistance to migrant and other seasonally-employed agricultural employees and their families.
- IV. Employment and Investment Incentives -- Work Experience Programs.
  - V. Volunteers in Service to America (VISTA).

You will be particularly interested here in Title II and III of the Act.

Title III is of specific interest to the Department as, in the main, it provides for loans to low-income families not available elsewhere and assistance to migrant and seasonally employed workers.

Farmers Home Administration is administering the part of the program authorizing loans up to \$2,500 for 15 years. This includes authority to make loans to low-income families so they can participate in cooperatives and to

finance cooperatives to market, purchase, and provide their other services that help them earn a better living.

Title II is on urban and rural community action programs. Their purpose is to provide stimulation and incentive so communities can mobilize their resources to combat poverty. Both financial and technical assistance are available -- as examples, funds for special job training and remedial education and training of specialized personnel to help develop community action programs.

Under this part of the program, there are possibilities for cooperatives -- as organized groups of people -- as the program calls for local participation. We are especially interested in working with groups that develop programs to improve the capacity of individuals, groups, and communities.

Financial assistance is available through loans our office works out with the Small Business Administration.

Farmers Home Administration Program

by Bernard H. Polk, Assistant Administrator Farmers Home Administration

The Economic Opportunity Act of 1964 contains important new authorities to strengthen the Farmers Home Administration's program of supervised credit. These new authorities will help thousands of low-income farm and other rural families throughout the United States.

The Act established a new loan program for families who cannot qualify for credit from existing sources including present Farmers Home Administration programs. It also establishes for the first time a credit program for cooperatives serving these and other rural families.

Farmers Home Administration -- now more deeply involved in developing, financing, and supporting cooperative activities than ever before in the agency's history -- will administer both of the new Economic Opportunity Act loan programs. These in turn will supplement Farmers Home Administration's present supervised credit services.

### NEW LOAN PROGRAM FOR COOPERATIVES

Now let us see how the Act establishes an entirely new Farmers Home Administration loan program to finance small cooperatives serving low-income rural families.

First of all it allows the making of loans to local cooperative associations furnishing essential services, supplies, or facilities to rural families -- two-thirds of which are in the low-income group. Before a loan is made, however, we will be assured that the families concerned do not have the

services available and, further, that the cooperative to be financed will actually serve to increase their incomes or living standards.

Processing services that the new loans may finance are those which put raw products into condition for marketing and home use. They include -- but are not necessarily limited to -- storing, grading, washing, packing, freezing, and canning agricultural products. Rough sawing timber and slaughtering meat animals are other examples.

This new Farmers Home Administration loan program will also finance purchasing services for low-income rural people. These include, but are not limited to, purchase of machinery and equipment, such as combines, land leveling, feed mixing, and baling; artificial insemination service; technical assistance such as veterinary service and cow testing; and other supplies and services essential for farm needs. Included under the latter are food, seed, fertilizer, and building materials.

Under marketing services eligible for financing are goods produced or supplied by members of the association such as handicrafts and home-produced finished items, ceramics, decorative items, and the like. Credit is also available for financing the marketing of raw or processed agricultural products including livestock, timber, and timber products.

Loans made to cooperatives may be used to finance facilities directly related to processing, purchasing, or marketing services; and to purchase or lease necessary land and buildings, and hiring equipment and services.

The loans may cover a number of miscellaneous costs facing a cooperative serving low-income members. Loans may be made to cover the cost of improvements to building sites along with the construction of buildings essential to the associations business.

Money borrowed from the Farmers Home Administration, under the Economic Opportunity program also may be used for operating capital, including management and technical services charges which cannot be provided through operating income, contributions, or short-term credit.

Also financed are costs of organizing the association and handling other related costs, such as fees and appropriate legal and technical charges along with other professional services which cannot be provided by the Farmers Home Administration or any other appropriate source.

## LIMITATIONS OF PROGRAM

Certain limitations are, of course, placed on the scope of the program.

1. The borrowing cooperative must serve rural families -- two-thirds of

- them genuinely low-income people. This cooperative must provide the type of assistance that will serve to raise and maintain the income and living standards of families served.
- 2. The cooperative cannot duplicate a service already conveniently available at a reasonable cost. In other words, associations applying for credit must be fulfilling, or intend to meet, the need for services, facilities, or such activities that are not otherwise being met.

- 3. The cooperative must prove it is unable to obtain credit from any other source.
  - 4. There must be reasonable assurance of the loan's repayment.
- 5. Credit applied for, together with other available funds, must be adequate to assure the project's completion or achievement of the purpose for which the loan is made.

I know that most of you are wondering about the rates and terms of these loans. The interest rate has not yet been established. Loans will be scheduled for repayment over a period not exceeding 30 years. The period may be shorter in a case where it is necessary to assure that the loan will be adequately secured, taking into account the security's probable depreciation.

# ASSISTANCE PROVIDED BY FHA

As is the case with all of Farmers Home Administration's supervised loan programs, the agency is not leaving anything to chance. FHA personnel will be on hand to provide continuous and intensive technical and management guidance, particularly in the association's early stages of development.

This guidance will include advice and continued communication in connection with preliminary determinations of economic soundness and physical feasibility, preparation of cost estimates and development of plans for organization and management. Farmers Home Administration personnel will work closely with the borrowing cooperatives.

It is important to note that in all cases borrowers will be encouraged to develop and utilize the skills and abilities of their own people in installing and managing the facilities they need. This will include building construction or improvement, operation of facilities and equipment, and the management of enterprises.

The agency will encourage borrowers to make every effort to keep fees and charges within the payment ability of low-income families.

It is recognized that frequent follow-ups must also be made by the USDA credit agency to make sure the cooperative is establishing and maintaining adequate bookkeeping systems, auditing procedures, inventory controls and equipment maintenance programs.

We in Farmers Home Administration sincerely believe that this special assistance to cooperatives formed by low-income rural families will tend to give more of them a chance to work together in solving common problems, will help them obtain resources they could not afford individually, and will enable them to work their way to a better living.

Secretary Freeman recently commented that "It is of great importance that this new program of loans to small cooperatives will provide the USDA with some excellent experience in how, when, and where we can help finance cooperatives that have no other credit source."

Howard Bertsch, Administrator, Farmers Home Administration, pretty well summed up the aims of his agency when he told a recent Cooperative League conference here: "We propose to seek and find in rural areas the solution to

problems of rural people. Cooperative action is a mighty weapon in such an undertaking."

## OTHER FHA LOANS

In addition to the new authorities available under the Economic Opportunity Act, the Farmers Home Administration makes loans to family farmers to buy stock in cooperatives. These loans cannot exceed, in total, more than half of the capital invested in a cooperative. Nor can loans be made to more than half of the members of a cooperative.

The agency also makes loans to cooperatives and non-profit groups for the development of rural water systems, recreation areas, grazing areas, and rental housing for senior citizens and farm laborers.

These loans contribute to improving the income and the living conditions of many low-income rural families.

Ways in Which Cooperatives Can Contribute to Economic Opportunity Program

by Irwin W. Rust, Chief Membership Relations Branch Management Services Division Farmer Cooperative Service

The essential element in all cooperatives is group action to solve problems common to all in the group or provide services needed by all in the group.

The cooperative is an uniquely flexible tool. It can be used in myriad ways. But like most tools, it cannot be used to solve all problems at all times. Skillful leadership is needed to recognize opportunities to use cooperatives effectively, as well as to recognize situations in which cooperatives are not the best tool.

The cooperative as a problem-solving tool has not been used as much, or as effectively, as it could be in our country. In some cases this has been due to lack of effective leadership and in some cases to lack of rank-and-file understanding of the nature, possibilities, and limitations of cooperative endeavor.

Just what are some of the needs of our people that cooperatives might fill? The new Economic Opportunity Program will provide much needed incentive for us to examine this question. It seems to me we might divide cooperative opportunities into two major groups:

- 1. Economic direct
- 2. Economic indirect

## ECONOMIC - DIRECT

Under economic opportunities, we can visualize new applications of traditional cooperative activities in marketing products for members, purchasing supplies for members, and providing needed services for members. Here are some examples:

- l. Marketing. Many small farmers in Louisiana raise sweet potatoes. But they are forced to sell them immediately after digging, at a relatively low price, because they lack facilities for storing and curing. Properly cured sweet potatoes bring higher prices. These farmers could conceivably own and operate a curing house cooperatively and secure significantly higher returns for their products.
- 2. Services. Certain parts of the country have farms with salable timber. Often these farm woodlots are mixtures of hard and soft woods, and the prices farmers receive are frequently less than they might receive if they were more aware of timber value and their markets were more competitive. Also some higher value woods are sold as pulpwood because of a lack of markets for them.

The individual farmer lacks the knowledge and the bargaining power associated with large volume sellers. A cooperative wood yard, where small lots of timber could be concentrated and sorted, could provide a valuable service. Such a cooperative could act as a channel for timber management advice from Government agencies such as the Forest Service.

3. Purchasing production supplies and providing production services. There is need for cooperative activity suited to those who work part-time off the farm, or are aged or otherwise physically handicapped, or who individually lack capital. Such cooperatives could furnish supplies; and provide production services such as cultivating, spreading lime and fertilizer, spraying, planting, and harvesting. The use of large-scale machines at just the right time might assure better crops of higher quality, more than offsetting losses in replacing hand labor with machine labor.

# ECONOMIC - INDIRECT

So much for economic opportunities for cooperatives. Now let's turn to some opportunities for cooperative use where the dollar sign is not so clearly evident.

The Economic Opportunity Act of 1964 is to be implemented by the Office of Economic Opportunity, which was created by the Act to direct the war on poverty in the United States. The OEO has issued a paper listing illustrations of possible community projects. A number of these lend themselves to cooperative action.

Projects suggested in the OEO release include improved living conditions for the elderly--which might be done through a housing cooperative; health examinations and health education for school children--which could be provided by a cooperative clinic; community child-care--which could be provided by cooperative nursing and baby sitter service; housing, sanitation, education,

and day care of children for migrants and other seasonally employed agricultural workers--which could be provided through an employer's labor cooperative.

## COOPERATIVE POTENTIAL

These are all things which have been done cooperatively, some time, some place--and successfully. Those of us who understand the use of the cooperative as a tool to solve problems should make sure that community and rural leaders are aware of its potential. The new Economic Opportunity Program is an opportunity for cooperative action. Let's not let this versatile tool stand idle and unused.

Southern Consumers' Cooperative and the New Economic Opportunity Program

by Msgr. Edward W. O'Rourke, Executive Director National Catholic Rural Life Conference

The Southern Consumers' Cooperative is prepared to make a substantial contribution to the war on poverty in Louisiana and may indirectly influence programs in other parts of the South.

Southern Consumers' Cooperative was founded in 1961 and now has approximately 800 members in 17 cities and towns of Louisiana. Its headquarters are at Lafayette, La. A majority of its members and officers are Negroes. SCC is beginning to contribute to the economic welfare of these Negroes and is developing leadership among them. Their experience in economic enterprise gained in SCC will better qualify them for participation in Rural Areas Development, in the Economic Opportunity Program, and in other communitywide efforts of the area.

Members of SCC pay a \$5 membership fee and sign a stock subscription contract. These \$12.50 stocks represent savings by members and provide capital for the cooperative's programs. In this manner the relatively poor members of SCC have built up a \$20,000 reserve.

The State of Louisiana has granted SCC three charters. The first charter is under the name of Southern Consumers' Educational Foundation, a non-profit organization responsible for the education of its members in the philosophy of cooperation and in economic matters. This phase of SCC work has been pursued diligently and with good results.

The second charter authorizes business operations under the title of Southern Consumers' Cooperative. SCC is now manufacturing and distributing fruit cakes; \$10,000 of its capital has been invested in this project.

The third charter is a business permit for a discount company, Peoples' Enterprise, which makes loans to members. To date, it has made 34 loans

totaling \$9,502.

The leadership and professional counsel enjoyed by SCC are outstanding. Several officers have received training at the Coady International Institute, Antigonish, Nova Scotia; at the Credit Union National Association, Madison, Wis.; and at the University of Wisconsin. T.T. Williams, agriculture economist at Southern University, Baton Rouge, La., has worked very closely with the officers of SCC.

Counsel has also been sought from several members of the staffs of South-western University at Lafayette, Lousiana State University, and Southern University at Baton Rouge.

Valuable counsel and assistance have been contributed by agencies of USDA and other governmental departments.

SCC qualifies eminently for participation in the Economic Opportunity Program. Many of its members are poor. Its leaders are competent. During 3 years of education and organizing, they have proven their perseverance and their acceptance by members of the cooperative.

SCC is now seeking a Community Action Program loan to finance a manufacturing operation which will complement the seasonality of their fruit cake operation. I am confident that, if this loan is granted, it will help strengthen SCC and enable them to serve their members better.

Many leaders of southern Negroes have studied SCG organization and programs. The successes or failures of SCC will indirectly affect the future of the poor in many parts of the South.



Panelists at the seminar on The Role of Cooperatives in the New Economic Opportunity Program. Standing is Bernard H. Polk, Assistant Administrator, Farmers Home Administration. Seated from left are: Msgr. Edward W. O'Rourke, Executive Director, National Catholic Rural Life Conference; the chairman of the seminar, M. L. Sundquist, Deputy Undersecretary of Agriculture. Fred Hayes, Assistant Director in Charge of Operations, Community Action, Office of Economic Opportunity; and Irwin W. Rust, Chief, Membership Relations Branch, Farmer Cooperative Service.

CLOSING DAY Comments by John A. Baker Assistant Secretary of Agriculture

Many people have commented that this Cooperative Observance has been a true exercise in cooperation and enthusiasm.

It certainly has been an across the board operation -- and without the fine help from several score people throughout the Department, the Observance could not have been held.

I would especially like to express appreciation to the six committees working on specific jobs -- Exhibit Coordination, Publicity, Film Festival, Program and Arrangements, International Visitors, and Seminars.

We feel the entire Observance has been a success. We've clocked over 7,000 people through the exhibits -- and about half of them from outside the U.S. Department of Agriculture.

We have been particularly happy to have had so many foreign groups, the Swedish cooperative women on the first day, a group of 75 from Germany, the Congressmen from Brazil, and various other groups from India, Iran, Iraq, Uganda, Panama, New Zealand, and other countries.

We had a particularly good International Day. As evidence of the interest abroad, United States Information Agency has been sending numerous stories and programs on the Observance overseas. The Voice of America sent tapes of Secretary Freeman's and David Bell's talks abroad.

We have had a number of requests for the exhibits to be used in other places. All told, we had 16 USDA agencies and Farm Credit Administration displaying 24 exhibits.

All six seminars had full houses, with the chairmen having to hold down the number of those who wished to attend. As an example, one seminar had in attendance representatives from 32 government agencies and 20 business and cooperative associations.

We have already had many rewarding comments in person, in letters, and in the press. One Midwest cooperative editorial stated, "An impressive packet of materials arrived last week from the U. S. Department of Agriculture (referring to the Press Kit sent out)...Mr. Freeman and his Department deserve the praise of every cooperative member for being willing to....prove they have faith in cooperative solutions to rural problems."

This morning in an evaluation session by the various committee members,

several people made the comment that the impact of this Observance is just beginning. And several of them said it had been an education to them to personally see in broad scope of the active programs that most USDA agencies had to help farmers and their cooperatives achieve the objective of a better America.

I would like to say again that the Secretary's staff is particularly appreciative of the hard work of the USDA employees and the fine results we have had. And I would like to add my personal thank you to all the scores of people who have helped us make the first USDA Cooperative Observance a success.



John A. Baker, Assistant Secretary of Agriculture, expressed the appreciation of the Secretary's staff for the hard work of the USDA employees on the Cooperative Observance when he spoke at the closing day ceremonies.

# Steering Committee

Chairman -- Joseph G. Knapp, Administrator, Farmer Cooperative Service

Vice Chairman -- C. B. Gilliland, Deputy Administrator, Rural Community Development Services (formerly office of Rural Area Development)

Secretary -- Job K. Savage, Director Management Services Division, Farmer Cooperative Service

Special Assistant to Chairman -- Mrs. Beryle Stanton, Chief, Program Services

Branch, Office of Management Services

# Agency Representatives

Roy Lennartson, Associate Administrator, Consumer and Marketing Service (then Agricultural Marketing Service)

Milton S. Briggs, Deputy Director, Agricultural Conservation and Stabilization Service

Glenn E. Heitz, Deputy Governor, Farm Credit Administration

Kenneth E. Krogh, Deputy Assistant Administrator, Foreign Agricultural Service

Raymond C. Scott, Assistant Administrator, Federal Extension Service

Bernard H. Polk, Assistant Administrator, Farmers Home Administration

Boyd L. Rasmussen, Deputy Chief, Forest Service

John R. Beasley, Regional Coordinator, International Agricultural Development Service

David M. Granahan, Chief, Exhibits Service, Office of Information
Norman M. Clapp, Administrator, Rural Electrification Administration
Gladwyn E. Young, Associate Administrator, Soil Conservation Service
Alfred E. Edwards, Deputy Assistant Secretary
Trienah Meyers, Deputy Assistant Secretary
Eldon Colby, Administrative Officer, Federal Crop Insurance Corporation
Blanche Oliveri, Assistant Director, National Agricultural Library
John Matchett, Staff Assistant, Agricultural Research Service
Nathan Koffsky, Administrator, Economic Research Service

## Special Committees

Cooperative Patio Exhibit Coordinating Committee -- Chairman, David M. Granahan,
Office of Information

Publicity Committee -- Chairman, Edward H. Koenig, Office of Information Film Committee -- Chairman, Calle A. Carello, Office of Information Program and Arrangements Committee -- Chairman, C. B. Gilliland, Deputy

Administrator, Rural Community Develop-

ment Service (then ORAD)

International Day -- Chairman, John R. Beasley, Regional Coordinator, International Agricultural Development Service

Seminars -- Chairman, Job K. Savage, Director, Management Services Division, Farmer Cooperative Service

# Cooperative Advisory Committee Representatives:

J. K. Stern, President, American Institute of Cooperation, Washington, D. C. Jerry Voorhis, Executive Secretary, The Cooperative League of the USA, Chicago,

I11.

Dwight Towsend, Director, Washington, D.C., The Cooperative League of the USA Kenneth Naden, Executive Vice President, National Council of Farmer Cooperatives, Washington, D.C.

Clyde T. Ellis, General Manager, National Rural Electric Cooperative Association, Washington, D. C.

Jerry Anderson, Executive Assistant to Clyde T. Ellis, Washington, D. C. Patrick Healy, Assistant Secretary, National Milk Producers Federation, Wash-

ington, D.C.

Roy T. Hendrickson, Executive Secretary, National Federation of Grain Cooperatives, Washington, D.C.

# National Agricultural Advisory Commission

Charles R. Sayre, Acting Chairman, Staple Cotton Growers Association, Greenwood, Miss.

# Federal Farm Credit Board Members

J. Pittman Stone, Coffeeville, Miss. (Farmer)

W. T. Steele, General Manager, Southern States Cooperative, Richmond, Va.

K. T. Anderson, Emporia, Kans. (Farmer)

David Gault, Manager, Mid-Texas Milk Producers Association, Austin, Tex.

L. T. Bice, Haines City, Fla.

Dr. J. B. Fuller, Torrington, Wyo.

Julian B. Thayer, Middlefield, Conn. (Farmer)

Joe B. Zeug, Walnut Grove, Minn. (Farmer)

L. C. Carter, General Manager, Arkansas Rice Growers Cooperative, Stuttgart

Glen Harris, Richvale, Calif. (Farmer)

Marion Clawson, Eaton, Ind. (Farmer)

Robert T. Lister, Prineville, Oreg. (Farmer)

# National Rural Electric Cooperative Association Executive Board

W. C. Carlton, Morehead City, N. C. P. W. Shelfer, Jr., Havanah, Fla. Hobart C. Adams, Paducah, Ky. Charles E. Wyckoff, Piketon, Ohio Lawrence C. Cole, Waterloo, Iowa Julius Mattson, Roseglen, N. D. Paul Ogier, Wallace, Nebr. Paul Jone, Stuttgart, Ark. Burton Carver, Soldotna, Alaska R. B. Moore, Lovington, N. Mex.

# Agricultural Finance and Credit Policy Committee of National Council of Farmer Cooperatives

Owen Cooper, Chairman, President, Mississippi Chemical Corporation, Yazoo City, Miss.

- C. B. FunderBurk, Treasurer, Cotton Producers Association, Atlanta Ga.
- R.R. Mauser, President, California Canners and Growers, San Francisco, Calif.



Three members of the Agriculture Finance and Credit Policy Committee of the National Council of Farmer Cooperatives stand as Secretary Freeman introduced them during Cooperative Observance -- from left, C. B. Funderburk, R. R. Mauser, and Owen Cooper.

Members of the Federal Farm Credit Board were introduced by Secretary Freeman at Cooperative Observance. Left to right, they were: W. T. Steele, K. T. Anderson, David Gault, L. T. Bice, Marion Clawson, Glenn R. Harris, Dr. J. B. Fuller, Julian B. Thayer, Jce Zeug, and L. C. Carter.





